centrica

Helping people today, securing energy for tomorrow

ANNUAL REVIEW 2013

Contents

What's in this review

Introduction

Strategic Report

Summary Governance and Financial Statements

About us

Integrated energy is what we do

Our vision remains to be the leading integrated energy company with customers at our core.

Our scale is of great benefit to the UK as we secure the future energy needs of our customers. In an increasingly international gas market, our interests and those of our customers remain inextricably linked.

RICK HAYTHORNTHWAITE
Chairman

Our strategic priorities

We refreshed our strategic priorities in 2013. This puts us in a strong position to realise the next step of our strategic direction.

Innovate to drive growth and service excellence

By leading with great service and efficient operations, enabling our customers to control their energy use in a simpler, smarter, more efficient way and growing in selected markets, building on our leading capabilities.

Integrate our natural gas business, linked to our core markets

By growing and diversifying our exploration and production portfolio for value, developing our midstream business to integrate along the gas value chain, maintaining a low carbon power hedge and investing where we see value.

Increase our returns through efficiency and continued capital discipline

By further developing organisational capability, continuously focusing on safety and delivering value to shareholders.

centrica.com/cr

centrica.com/ar13

Our Business Principles on page 05
Chief Executive's Review on page 07
Strategic Overview on page 08
Business Model on page 10

Introduction

Performance Overview

The business delivered solid performance in 2013 in difficult market conditions. We are well positioned for the future as we maintain our focus on securing and supplying energy for our customers.

Adjusted earnings
£m

2013	1,370
2012	1,378
2011	1,297
2010	1,256

Group revenue‡
£bn

2013	26.6
2012	23.9
2011	22.8
2010	22.4

‡ From continuing operations

Dividend per share
pence

2013	17.0
2012	16.4
2011	15.4
2010	14.3

- Adjusted earnings, £1,370 million; adjusted basic earnings per share (EPS) flat at 26.6 pence
- British Gas Residential operating profit for the year down 6%, 18% down in the second half of 2013, reflecting higher commodity and non-commodity costs
- £420 million share repurchase programme in 2014 following sale of Texas power stations
- Full-year dividend up 4% to 17 pence per share
- Statutory profit for the year £950 million, including post-tax exceptional items of £667 million; statutory basic EPS 18.4 pence

Profit measure reconciliation

Unless otherwise stated, all references to operating profit or loss, taxation and earnings numbers throughout the report are adjusted figures, as reconciled to their statutory equivalents in the Group Financial Review on page 35

Financial highlights	2013	2012
Revenue	**£26.6bn**	£23.9bn
Total adjusted operating profit	**£2,695m**	£2,743m
Total adjusted taxation charge	**£1,022m**	£1,112m
Total adjusted effective tax rate	**43%**	45%
Adjusted earnings	**£1,370m**	£1,378m
Adjusted basic earnings per share (EPS)	**26.6p**	26.6p
Full-year dividend per share	**17.0p**	16.4p
Group capital and acquisition expenditure	**£2,565m**	£2,727m
Statutory results		
Operating profit	**£1,892m**	£2,625m
Profit before taxation	**£1,649m**	£2,416m
Profit for the year	**£950m**	£1,245m
Basic earnings per ordinary share	**18.4p**	24.0p

Profit for the year includes £667 million of post-tax exceptional charges relating to an onerous contract charge on Rijnmond, E&P impairment charges and UK gas storage impairment and provision charges.

The Group has applied IAS19 (revised) pensions accounting. As a result, 2012 net finance cost, taxation, earnings and earnings per share have been restated. Adjusted earnings have also been restated for 2010 and 2011.

Introduction

Operational Overview

We have made good strategic progress which will benefit our customers and the business in the long term. New targets have been set across the Group, creating a platform for long-term sustainable growth.

- Completed a Group-wide £500 million cost reduction programme
- Engaging with all stakeholders to improve understanding and rebuild trust
- Signed £14 billion of new gas supply agreements
- £2.6 billion invested in the year including:
  - Over £1.5 billion of organic investments, predominantly in North Sea E&P, including in major projects such as Cygnus
  - Canadian upstream gas acquisition completed, in partnership with Qatar Petroleum International (QPI)
  - Acquired a 25% stake in Bowland shale exploration licence in the UK
  - Business to business acquisition delivers step-change in North America
  - Realised value through divestment of selected exploration and production assets, UK wind assets and US power stations
- Adding value through organic reserve additions, principally in Norway; recognised £699 million pre-tax (£318 million post-tax) exceptional impairments of UK Southern North Sea projects and existing Canadian gas assets

Shaping ourselves for the future

INNOVATE

We have completed strategic reviews in both British Gas and Direct Energy and new organisational structures are in place. We are focusing on delivering further operational efficiencies and targeting industry leading high-quality service for all our customers. We are also targeting a return to account growth in the UK following a 2% decline in 2013. We are developing innovative, differentiated products in both British Gas and Direct Energy, in part enabled by our leadership in digital, smart and connected homes.

International Downstream Operating Review on page 18

INTEGRATE

Our international upstream E&P business has been reorganised to help realise the full potential of our larger international gas and oil resources, concentrating on the most attractive opportunities. An increasing proportion of investment is likely to be directed towards North America, where we are well placed to benefit from an increase in gas prices, while we are targeting cost savings over the next three years.

International Upstream Operating Review on page 26

INCREASE

We have a strong balance sheet, providing flexibility for targeted investments for value. However, we expect our 2014 EPS to be lower than 2013, recognising the impact of the extreme weather in North America at the start of 2014. Maintaining capital discipline is a core priority and we will be undertaking a £420 million extension of our share repurchase programme in 2014, following the completion of our £500 million programme in 2013. We are also maintaining our commitment to real dividend growth.

Group Financial Review on page 34

Introduction

Chairman's Statement

Centrica has an important role to play in the resolution of some of the most pressing issues for the industry – energy security, climate change and affordability.

I regard the opportunity to chair Centrica as a great privilege. It is a company with a strong heritage and deep relevance to the UK, serving over 11 million UK households, employing over 30,000 people in the UK and contributing around £1 billion of tax across the Group each year.

With approximately 700,000 individual shareholders and numerous pension fund investors, Centrica also forms an important part of the savings and pension plans of millions of people across the country. In other words, Centrica is essential to the quality of life and competitiveness of the UK.

However, beyond the statistics, Centrica also has an important role to play in the resolution of some of the most pressing issues for the industry – energy security, climate change and affordability. It has the know-how, balance sheet and assets to play a leading role in helping to deliver a solution to these issues. Yet the Company is sometimes regarded as part of the problem rather than the solution. Levels of trust between energy companies and wider society have come under severe pressure. I therefore believe that it will be essential to establish common ground between the participants in the debate, to enable us to meet the energy challenges which the country faces.

Centrica recognises the need to reaffirm and demonstrate its commitments to treating customers well, working constructively with policy makers and conducting its business in the most transparent manner possible. I have found such a response to be instinctive within the Company and very much the focus of attention – as evidenced by the pace at which savings from recent UK Government policy changes were passed on to customers.

This alone is unlikely, however, to be sufficient to completely turn the tide. So, in parallel, I have been using my early independence to explore some of the issues to find a way to accelerate the restoration of trust and collaboration.

First, I have been looking into the various criticisms that have been directed towards the industry and am conducting my own independent fact-finding review of some of the issues that are most important to our customers and seeing for myself whether we are truly living by the Business Principles we espouse.

Secondly, I have been meeting our customers to discuss what they need from their energy supplier, the trade-offs involved in fulfilling these needs and what it will take to re-establish a sense of mutual partnership. My early impression is that, while there are issues around customer trust and service levels, the reputation of British Gas in the eyes of our customers is vastly better than one would be led to believe from the media and political commentary, particularly when it comes to our service engineers helping customers in their homes.

At the same time, the growth and performance of the wider Centrica Group should not be forgotten. While our UK downstream businesses still contribute the largest proportion of the Group's post-tax earnings, we have substantially increased the scale of our North American operations and now serve over six million residential and business customers. We have also delivered good strategic progress upstream, despite some setbacks in the UK North Sea, adding reserves organically and through acquisition. We continue to play a critical role in bringing supplies of gas to the UK as North Sea resources decline. Last year we signed new deals with both Qatari and US exporters, taking our supply commitments to over £60 billion.

In summary, our interests and those of customers are inextricably linked. Our financial future and corporate capability depend on forward momentum, both in and outside the UK. In an increasingly international gas market, Centrica has a clear strategic direction and strong management, positioning itself for long-term, sustainable growth.

None of this can be achieved without the outstanding commitment of our employees which is deeply appreciated.

Since 2004, the Group has been led by Sir Roger Carr who stepped down as Chairman at the end of 2013 and I am joined by all of the Board in thanking him for his outstanding leadership, professionalism and integrity throughout his time at Centrica. His support and clarity of vision during his term of office is acknowledged and I know that I am joined by many in wishing Sir Roger every success in his new appointment.

RICK HAYTHORNTHWAITE
Chairman
20 February 2014

Our Business Principles

Our Group-wide Business Principles create a framework to help us make decisions in line with a consistent set of operating behaviours based on trust, integrity and openness.

1. **Demonstrating integrity in corporate conduct**
2. **Ensuring openness and transparency**
3. **Respecting human rights**
4. **Enhancing customer experiences and business partnerships**
5. **Valuing our people**
6. **Focusing on health, safety and security**
7. **Protecting the environment**
8. **Investing in communities**

"Centrica recognises the need to reaffirm and demonstrate its commitments to treating customers well.

Strategic Report

Contents

Operating Environment

"2013 has been marked by challenges in UK energy markets and by continued developments in the global gas markets."

IN THE UK, PUBLIC TRUST IN OUR SECTOR HAS BEEN DAMAGED AND STEPS ARE BEING TAKEN TO BEGIN TO HELP RESTORE IT

Three forces continue to shape UK energy policy: growing dependence on volatile global commodity markets; commitments to make serious cuts in carbon emissions; and an obligation as a society to ensure that energy remains affordable at a time of huge pressure on household and business incomes.

Affordability has been a key concern for both residential and business customers, amplified by the political debate ahead of the 2015 UK election. As a result, 2013 saw a sharp focus on the energy sector and at a time of rising prices a steep fall in public trust. This also led, in a highly competitive market, to increased levels of switching between traditional participants and new entrants. Steps have been taken to improve transparency, increase simplification, reduce the cost of energy efficiency measures and lower bills. These are helping foster a more balanced debate about energy but to build consumer and investor confidence all stakeholders must continue to work together to rebuild trust in the sector.

ENERGY SECURITY: NATURAL GAS CONTINUES TO PLAY A VITAL ROLE

Natural gas currently provides around one third of the UK's primary energy and 80% of the UK's homes use gas for heating. Looking to the future, it plays a central role in nearly every scenario for a cost-effective transition to a low carbon energy supply.

The UK's own gas resources are declining. Ten years ago the UK was a net exporter of natural gas. Today imports make up over half of gas demand. There are still attractive prospects in the North Sea but infrastructure is aging and field sizes are declining which is contributing to cost pressures. Onshore shale gas extraction could provide an additional source of UK supply. However, operators must demonstrate the benefits to local communities and reassure them that the highest safety and environmental protection is in place.

As indigenous resources decline, the need for imports increases. The price and availability of gas in the UK, therefore, will be increasingly determined by international markets. Unless importers are able to pay the international price, gas will be diverted to other markets.

In North America, shale gas has transformed the US energy market. Shale production remains at high levels and significant reserves remain to be exploited. Customers are benefiting from this, with relatively lower gas prices. However, in an environment of low and less volatile gas prices, conditions are challenging for energy retailers, who are finding it more difficult to compete with incumbent utilities.

Liquefied Natural Gas (LNG) has made natural gas economically transportable over long distances. Increasingly, it will connect the world's resources with those markets that need it.

For the UK, this represents a major source of supply. Imports of LNG have risen from zero less than ten years ago to a point where they are capable of meeting nearly a third of total gas demand. LNG export also represents an opportunity to increase demand for the US' abundant supplies.

ENERGY SECURITY: UNCERTAINTY IN UK POWER MARKETS CONTINUES

Currently there is adequate power generation capacity in the UK. The reserve margin for power generation, the amount of surplus capacity to meet plant outages, is around 6%. As a result of this and the availability of cheap coal, clean spark spreads – the margins gas-fired power plants are able to make – continue to be very low. This has impacted the returns from gas-fired power generation. Much of the UK's coal-fired power generation has closed or is closing, due to age or environmental regulations. By 2015/16 the reserve margin could fall to as low as, or even below, 2% according to the UK energy regulator. Partly to address this, far reaching reforms to the electricity market completed their legislative process in 2013. The details of these reforms are still being developed and, until they can be fully understood and given the heightened political uncertainties, new gas-fired generation investment is unlikely to be forthcoming.

Strategic Report

Chief Executive's Review

Strategic Overview

Developments over the past year have reaffirmed the strategic priorities we announced in February 2013 and validated our strategic direction.

Our strategic priorities

Innovate to drive growth and service excellence

- Lead with great service and efficient operations
- Enable our customers to control their energy use in a simpler, smarter, more efficient way
- Grow in selected markets, building on our leading capabilities

What we've achieved so far

- Over 1.3 million smart meter installations for homes and businesses in the UK
- Innovative new products such as Hive, our remote heating control technology, launched in the UK
- Industry leading digital platforms; British Gas awarded best ecommerce utility supplier at 2013 ecommerce awards for excellence
- Hess Energy Marketing acquisition enhances size and capability in North American business energy supply
- Bounce Energy acquisition provides leading internet based digital platform in North American residential energy supply
- Direct Energy Services customer base increased by over 200,000

Our strategic priorities

Integrate our natural gas business, linked to our core markets

- Grow and diversify our exploration and production portfolio for value
- Develop our midstream business to integrate along the gas value chain
- Maintain a low carbon power hedge and invest where we see value

What we've achieved so far

- Suncor acquisition in Canada, in partnership with QPI, doubles the size of our North American E&P business
- LNG contract with Cheniere signed, to export gas from North America from 2018
- UK shale exploration position taken through Bowland licence
- 56mmboe of organic reserves additions; £318 million post-tax exceptional impairments
- Realised value through divestment of selected E&P and wind assets

Our strategic priorities

Increase our returns through efficiency and continued capital discipline

- Further develop organisational capability
- Continuously focus on safety
- Deliver value to shareholders

What we've achieved so far

- Full-year dividend up 4%
- £500 million share repurchase programme completed; further £420 million programme commencing in 2014
- Group lost time injury frequency rate (LTIFR) reduced by 45%
- £500 million Group-wide cost reduction programme completed

Key Performance Indicators on page 16
International Downstream Operating Review on page 18
International Upstream Operating Review on page 26
Principal Risks and Uncertainties on page 42

Managing the risks and challenges

There are positive signs of economic recovery in our core markets in both the UK and North America. However, real disposable income has declined for many consumers and economic uncertainty remains.

At the same time, there is unprecedented focus on the energy sector in the UK, with intense political and media scrutiny. As a result, public trust in the sector has been damaged, with proposals for price controls and the potential for further adverse legislation, political intervention and regulation. We will continue to engage in detailed discussions with all stakeholders to help the UK move towards a transparent and affordable energy policy.

In North America, rising energy prices and a challenging competitive environment are putting pressure on downstream energy margins and creating a difficult sales environment, impacting our Direct Energy business.

To address these challenges we have put new operational structures in place in both British Gas and Direct Energy to help ensure delivery against our strategy. We are targeting industry leading service levels for our customers following a fall in levels in British Gas Residential in 2013, due in part to IT systems investment. We are also focused on continued cost-efficiency and have set new specific targets – to reduce operating costs in British Gas Business by £100 million by 2015 and to remove $100 million of cost from Direct Energy in 2014.

Building a range of innovative new products is also core to the long-term growth of our downstream businesses. Our leadership in digital, smart and connected homes in the UK enables us to offer differentiated propositions, for example Hive. In North America, innovation is also key, while our services protection plan offering is a unique differentiating factor and, over time, we see significant potential for combined energy and services propositions.

As the UK becomes increasingly reliant on gas imports, Centrica has been pursuing a three pronged strategy to enhance Britain's energy security. First, to maximise the potential economic extraction of the remaining resources of the North Sea and to evaluate the potential of natural gas from shale in the UK. As unit costs in the UK North Sea are increasing, at the same time as gas and oil prices have fallen from their 2012 peaks, we are targeting cost savings to keep our unit cash production costs flat over the next three years.

Second, to develop gas resources internationally that can supply our UK customer base, Norway is particularly important here. We will also increase our focus on North America, as our customer base grows there and where we are well placed to benefit from any increase in gas prices.

Finally, to contract for long-term supplies of gas from international sources. Global commodity markets are uncertain and volatile. To mitigate this, we continue to manage our risk exposure through active hedging programmes so that our competitive position is not negatively impacted and we continue to develop our midstream capabilities.

In power, market spark spreads remain low and, as a result, the returns from our gas-fired power stations are currently low. Forward spreads show no immediate signs of recovery. However, with much of the UK's coal fleet expected to close by 2015, we are positioning our existing gas-fired stations to capture the benefit from any improvement in market conditions.

The successful delivery of business change is fundamental to our future success. It is managed through a combination of projects/programme boards and regular review at both a business unit and executive level. We have introduced new management structures in British Gas and Direct Energy to improve our core operations and continue to focus on attracting and retaining talented employees.

Health and safety remains a core priority as there are inherent hazards in our operations. Security events could also cause disruption to our operations. We will continue to develop a best practice safety culture, improving our process safety awareness and performance metrics.

We will continue to focus on delivering value for our shareholders and are maintaining our commitment to grow the dividend by at least inflation each year. We will also continue our focus on capital discipline, rigorously evaluating investment decisions to ensure they meet our financial criteria. We will only invest where we see value and return funds to shareholders where appropriate as demonstrated by the extension of our share repurchase programme in 2014.

Business Model

Centrica is an integrated energy company. We are made up of a number of strong businesses, participating across the energy chain and across geographies.

We are an integrated energy company

SOURCE IT
We invest in gas and oil exploration and production in the Atlantic basin, particularly in the North Sea.

GENERATE IT
We generate power through our wind farms, nuclear and gas-fired power stations.

PROCESS IT
Our onshore gas terminals ensure high quality gas enters the transmission system.

STORE IT
Our gas storage facility at Rough is the largest of its kind in the UK.

TRADE IT
In the UK and North America we trade gas and power to ensure our customers have a reliable and competitive energy supply.

SUPPLY IT
We supply energy to homes and businesses in the UK and North America.

SERVICE IT
We provide peace of mind with central heating, boiler and cooling maintenance and breakdown cover products.

SAVE IT
We offer innovative low carbon, energy efficient products and services to help our customers better control their energy.

We have distinctive assets and capabilities

- We have **extensive experience in onshore and offshore oil and gas** operations, development and exploration in North America, Europe and Trinidad and Tobago
- Our **power generation fleet** is diverse and low carbon
- Our strong balance sheet allows us to enter long-term commitments. Our **commitments to secure gas** now total over £60 billion
- Our **Rough storage facility** accounts for more than 70% of UK gas storage capacity, helping ensure security of gas supply
- We have a strong track-record in **managing complex risks**, including commodity price risk, daily and seasonal weather variations, changing consumption trends and changes in customer numbers
- Our **gas and power assets** provide opportunities to create additional value, by optimising our positions through asset-backed trading
- We have over **11 million residential customers in the UK**
- Our **UK energy services business** is underpinned by a nationwide network of over 10,000 engineers, six engineering academies and a state-of-the-art nationwide distribution centre
- We are the **largest home services provider in North America,** with a service area covering all US states and eight Canadian provinces
- We have the **most popular UK energy website**, with 30% of customers registered online and one million apps downloaded
- We are the **leading non-residential gas retailer in the US** and the second largest retailer in non-residential power
- In the UK, we **support around one million business accounts** with everything from gas and electricity supply, to boiler maintenance and energy efficiency

Integration gives us benefits

INTEGRATION REDUCES OUR RISK

Vertical integration lowers our risk profile. Broadly speaking, risks downstream are counter-balanced by risks upstream, so vertical integration helps reduce our commodity risk exposure. This benefits our investors and our customers. Energy companies need to be strong and stable to continue to supply their customers and to invest in future energy needs.

INTEGRATION ADDS SCALE

The combined strength of our Company gives confidence to international counterparties to enter long-term deals with us that are critical to securing energy supplies. It also means we can execute unique deals which combine upstream assets and downstream positions.

INTEGRATION REDUCES OUR COSTS

Vertical integration means that we have a lower cost of capital than we would as independent businesses. This means we are required to put up less capital for our commodity trades. It also reduces duplication of overheads since our supply and upstream businesses share management and overhead costs.

INTEGRATION WIDENS OUR RANGE OF INVESTMENT OPPORTUNITIES

Being a vertically integrated energy company means we have options to invest across the value chain: upstream, for example in gas production and gas-fired power generation, and downstream, for example in smart meters and new systems to improve customer service.

We can also generate benefits for others

ECONOMIC

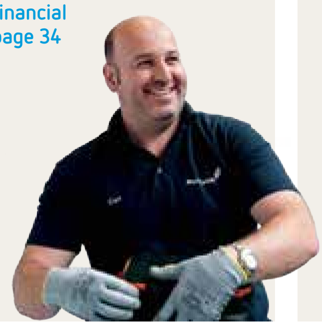
£864m

In 2013, £864 million due to our shareholders in dividends

£1,022m

Our adjusted tax charge in 2013 was £1,022 million

Read in more detail in the Group Financial Review on page 34



SOCIAL

1.8m

In 2013, 1.8 million vulnerable UK householders were helped through British Gas programmes

Read in more detail in the International Downstream Operating Review on page 18

ENVIRONMENTAL

$9.8mtCO_2e$

Since 2010, we have helped save around 9.8 million tonnes of CO_2 equivalent through the products we have installed in UK homes and businesses, equivalent to taking 668,000 cars off the road

Read in more detail in the Corporate Responsibility Review on page 41

Strategic Report

Chief Executive's Review

Review of the Year

We are engaging with all stakeholders, to work towards a sustainable and affordable energy policy which recognises the need for strong underlying economics and investment certainty.

"We are taking positive action across the Group to position the business for the long-term, for the benefit of both customers and shareholders.

STRATEGY AND FOCUS REAFFIRMED

In 2013, we saw unprecedented focus on the energy sector in the UK, with intense political and media scrutiny against a backdrop of declining real disposable income for many consumers. However, much has been achieved during the year. We have simplified our energy offering and now have just four residential tariffs and are leading the industry in the transparency of our reporting. The recently announced changes to the Government's ECO energy efficiency programme will help more people at lower cost and there is improved public understanding and recognition of the real costs of securing energy supplies, the impact of climate change objectives and the global market in which we operate.

However, investor confidence and public trust in the industry have been damaged, with proposals for price controls and the potential for further political intervention, at a time when substantial investment is required to secure supplies of energy for the UK for the long-term. The consensus that existed between political parties over key questions of energy policy has broken down. We are engaging with all stakeholders, working towards a sustainable and affordable energy policy which recognises the need for strong underlying economics and investment certainty.

In February 2013, we announced new strategic priorities: **Innovate** to drive growth and service excellence; **Integrate** our natural gas business, linked to our core markets; and **Increase** our returns through efficiency and continued capital discipline. Developments over the past year have reaffirmed these priorities and validated our strategic direction. As existing sources of gas decline and worldwide energy markets become more interrelated, the UK will need to look further afield to secure energy supplies for the future.

Downstream, we have completed strategic reviews in both British Gas and Direct Energy and introduced new management structures. This will enable us to focus on improving our core operations in order to deliver better customer service, reduce costs where appropriate and drive growth through innovative propositions.

Upstream, we entered into a number of key transactions which will not only benefit our customers but provide the business with sustainable growth over the longer term. We also added reserves organically, mainly in Norway. Moving forward, against a backdrop of challenging economics upstream, particularly in the UK North Sea, we will be increasingly selective in our investments, directing capital towards the projects offering the most attractive returns with the lowest political risk.

SOLID EARNINGS AND GOOD STRATEGIC PROGRESS IN CHALLENGING MARKET CONDITIONS

Centrica performed well in 2013, with good operational performance in gas and oil production, power generation and gas storage and we are benefiting from improved scale from previous E&P and North American acquisitions. We delivered further improvements in our safety record, with the frequency of lost time incidents falling by 45% in 2013 compared to 2012 and no significant process safety incidents recorded during the year. I was also pleased to see another increase in employee engagement levels in 2013 and remain grateful to all my colleagues for their commitment and hard work during the year, particularly during times when the Company was the subject of much political and media scrutiny.

We have made good strategic progress in 2013 in challenging market conditions – investing along the gas value chain to secure long term, affordable energy supplies, with customers at the core of our activities:

- we signed £14 billion worth of new gas supply agreements with Cheniere and Qatargas, helping secure supplies for the UK;
- we completed the C$1 billion acquisition of a portfolio of Canadian gas assets in partnership with Qatar Petroleum International (QPI), adding over 100mmboe of reserves to our international upstream portfolio at lower cost than for equivalent North Sea assets;
- we acquired a 25% stake in the Bowland shale exploration licence, bringing our expertise and resources to a potentially important long-term source of gas for our customers;
- we made over £1.5 billion of organic investments across the Group, predominantly in our North Sea E&P portfolio, including in major projects such as Cygnus;
- we added 56mmboe organically to our reserves base, mostly from upgrades to our Norwegian assets;

International Downstream Operating Review on page 18
International Upstream Operating Review on page 26
Centrica Storage Operating Review on page 32

- we announced £650 million of disposals, of selected North Sea assets, our Texas CCGTs and non-core UK wind assets, underlining our commitment to capital discipline and value; and
- we acquired the Hess Energy Marketing business for $1.2 billion, transforming the capabilities of our North American B2B activities.

However, with economic and market headwinds impacting many areas of the business, adjusted earnings per share were flat year-on-year at 26.6 pence. We also recognised pre-tax impairments and provisions totalling £1,064 million, £667 million after tax.

Downstream in the UK, the post-tax margin for residential energy supply fell to 4.5%, in part reflecting the impact of mild weather on consumption towards the end of the year. This followed unusually cold weather in the first half, with the benefit from higher consumption used to absorb the increased external costs being faced by the business for as long as possible. However, in October we announced the decision to increase our residential energy tariffs, as a result of higher commodity and non-commodity costs. Following the announcement, the level of customer switching increased significantly and the number of residential customer accounts reduced by 2% over the year. However, although account losses have continued in early 2014, with around 100,000 in the year to date, the position is now stabilising, with British Gas the first to pass on savings in full to all our customers following the announcement of changes to the ECO programme and the introduction of new fixed price propositions.

British Gas Services once again recorded operating profit growth despite the challenging economic environment, benefiting from cost reduction initiatives implemented over the course of 2012 and 2013. Early signs of economic recovery are also benefiting our central heating installations business. Installations were 7% higher in 2013 compared to 2012, while weekly sales of our remote heating control product have more than doubled since its launch under the Hive brand in September. In British Gas Business, the trading environment remained difficult in a highly competitive market. We led the industry with our programme to end auto-rollover of contracts at renewal, although this has placed further pressure on margins.

Downstream in North America, we delivered profit growth in both residential energy and residential services, as we benefited from previous acquisitions and services account growth. However, total Direct Energy profitability fell due to lower margins in Direct Energy Business, with rising wholesale costs and a highly competitive power market resulting in difficult trading conditions.

Upstream, gas and liquids production performance was good, as recent acquisitions in the North Sea and Canada delivered production better than our investment cases. We also added 56mmboe of 2P reserves organically, predominantly on our Norwegian assets. However, following reserve and resource downgrades and increases in expected costs on certain projects in the Southern North Sea and a reduction in North American natural gas prices since previous asset acquisition and developments, we recognised exceptional post-tax impairments of £318 million.

In UK power generation, the performance of the nuclear fleet was once again strong. However, our gas-fired fleet was loss-making, reflecting weak spark spreads and the end of free carbon allocations. In this environment, we continued to minimise our cost base and run our plants as efficiently as possible. We also recognised a £125 million exceptional onerous contract charge on the Rijnmond tolling contract in the Netherlands as a result of decreases in expected future revenues.

Our Rough gas storage asset performed well, particularly during the prolonged cold weather at the start of the year, making an invaluable contribution to UK security of supply. However, forward seasonal gas spreads remain very low, leading to a significant reduction in profit in 2013. The low seasonal spreads, together with the UK Government's decision to rule out incentivisation for new gas storage projects to be built, caused us not to proceed with the Baird storage project and to put our project at Caythorpe on hold. As a result, we have recognised exceptional impairments and provisions relating to storage projects of £224 million after tax.

We successfully completed our £500 million Group-wide cost reduction programme, announced at the start of 2012. We also completed our £500 million share repurchase programme launched in February and in December announced a further £420 million share repurchase programme, following the sale of our Texas CCGTs, to be undertaken over the course of 2014.

WORKING TOWARDS A TRANSPARENT AND AFFORDABLE ENERGY POLICY

Over the past year, UK energy policy has seen unprecedented levels of debate and discussion amongst all stakeholders. As a result, there is improved awareness of the costs of securing and supplying energy, the majority of which are external to the business. However, it is important that the facts are made public and that all stakeholders – energy companies, regulators, politicians, consumers and commentators – engage in full and open conversation.

We have simplified our UK residential energy product range to four tariffs and led the way earlier in 2013 with our unique Tariff Check, making it easier for our customers to ensure they are on the most appropriate British Gas tariff for them. We continue to improve the transparency of our reporting, including publication of audited Ofgem segmental statements as part of our year end reporting and separating out our midstream power profits and call on others to follow. We also protected over half a million of our most vulnerable customers from the November price rise, through a special discount to be applied to their bills. As a result, we currently expect this group of customers to have lower bills in 2014 than in 2013. We welcome the proposed changes announced by Government to the ECO programme, enabling more customers to benefit, at lower cost.

However, the prospect of political intervention and a wide range of potential policy initiatives has damaged investor confidence. In particular, we believe that a price freeze is not a credible solution when the large majority of costs are external to the business. Such proposals create both short-term uncertainty for all energy suppliers and longer-term additional costs for customers. With substantial investment required to secure energy supplies for the UK, these uncertainties increase the cost of capital and, in the eyes of major global producers, reduce the credit worthiness of prospective buyers of their gas, impairing rather than improving the UK's energy security position.

Against this uncertain background, financial stewardship and discipline remain important to our business, for the benefit of customers and shareholders. Customers rely on us for

> We are maintaining our focus on operational and capital efficiency, with specific new targets appropriate for each area of the business.

our financial strength to enter into long-term supply contracts and shareholders require an appropriate return, reflecting the risks inherent in managing commodity price and weather risk in the underlying business and in the investments we make. Whilst delivering good service and value for customers is paramount, with a significant proportion of our share capital held by UK pension funds and around 700,000 individual shareholders, making appropriate investments and delivering a fair level of return to investors also remains a core responsibility.

We firmly believe that any form of price control in a competitive market is not the answer and is not in the best interests of customers, this has been clearly demonstrated by experience in other markets. The industry requires a stable policy environment, which recognises the need for strong underlying economics and investment certainty, to deliver secure supplies for our customers. We will continue to engage with all policymakers to present proposals for more affordable ways to decarbonise and reduce energy consumption, helping more people at lower cost.

INVESTING TO SECURE ENERGY SUPPLIES FOR OUR CUSTOMERS

We have made substantial progress in delivering our gas value chain strategy, positioning the business for future growth. In an increasingly global gas market, it is important that the UK is able to source gas at the most cost-effective price. Centrica plays an important role, with existing relationships to secure pipeline gas from Norway and Continental Europe and LNG from Qatar. During the year we extended our LNG supply contract with Qatargas until 2018. We also signed a contract with Cheniere to take gas export capacity at the Sabine Pass facility in Louisiana, which gives us destination rights over cargoes for the first time and will allow us to benefit from any differential between North American gas prices and other worldwide markets.

With rising costs in the North Sea, we are targeting our investment towards opportunities that offer the best value, particularly in Norway and in North America. We have taken a stake in UK shale exploration, potentially a significant source of gas for the UK. In power, our Lincs offshore wind farm, which is capable of providing electricity for up to 200,000 UK homes, is now fully operational.

POSITIONING THE BUSINESS FOR THE FUTURE

Market conditions are expected to remain challenging in 2014, with margin pressures in our energy supply businesses on both sides of the Atlantic, rising North Sea unit costs and weak economics for both gas storage and gas-fired power generation. In British Gas Residential, the level of margin achieved in a competitive market is dependent on a number of factors, including retail and wholesale prices, service and the weather, which has been warmer than usual in the year to date. The wider external environment also currently provides a challenging operating backdrop. In North America, although the Hess Energy Marketing business is performing well, Direct Energy has had a difficult start to 2014. With a weaker US dollar, continued margin pressures and exceptionally cold weather, which resulted in additional short-term system charges, we currently expect Direct Energy operating profit to be broadly flat year-on-year. Overall for the Group, 2014 trading is in line with recent market forecasts, other than the one-off impact from extreme weather conditions in Direct Energy, with adjusted earnings per share in 2014 expected to be lower than in 2013.

Recognising the challenges, we are maintaining our focus on operational and capital efficiency, with specific new targets appropriate for each area of the business.

We have now completed strategic reviews in both British Gas and Direct Energy and our downstream strategic priority – Innovate to drive growth and service excellence – remains robust. New organisational structures are in place on both sides of the Atlantic to ensure delivery, as we target improvement in our core operations to enhance service and reduce costs, while driving growth through innovative propositions.

In our UK residential energy and services businesses, we are targeting industry leading service levels for our customers. We will aim to improve service and deliver further efficiencies by simplifying key customer interactions, in part enabled by our investment in a single residential Customer Relationship Management (CRM) system for energy and services, which is expected to be completed in 2014.

Our leadership in digital, smart and connected homes enables us to offer compelling, differentiated propositions. By the end of 2014 we are targeting over 100,000 sales of our Hive Active Heating smart thermostat and currently expect to have installed 1.3 million residential smart meters. We see the smart connected home as core to our customer proposition, materially improving the customer experience and providing an opportunity for growth. We also see further opportunities in residential services, leveraging our insurance capabilities to offer new pricing structures and an expanded product choice and from growing share in adjacent markets such as the landlord sector. Through enhanced price competitiveness, improved service quality and innovation, we are aiming to return to account growth in both UK residential energy and services.

In British Gas Business, we are also targeting industry leading service levels, with a sustained programme of process simplification and the implementation of a new billing system expected to deliver improved service at lower cost. A cost reduction programme is underway, which is expected to generate £100 million of annual savings by the end of 2015, helping to offset the impact of continuing difficult market conditions and the impact of our decision to lead the market in ending auto-rollover at contract renewal. Longer term, we expect to deliver growth from the development of new offerings tailored to the most valuable customer segments and from business services, where the market opportunity is comparable in size to business energy.

In North America, with margin pressures persisting in 2014, improving cost competitiveness is a core priority. Against this backdrop, we have launched a $100 million cost reduction programme, driving synergies from the enhanced scale of our business. We are already benefiting from call centre consolidation and back office integration, while we have started investment in a new residential energy billing system.

We are also positioning the business for growth and building a range of innovative product offerings is core to our North American business model, enabling improved customer retention and delivering growth. Our Power To Go prepayment offering and our innovative Free Electricity Saturdays product have both proved popular with residential energy customers, while we are targeting further growth in our services protection plan offering in 2014, which we see as a unique differentiating factor in our business model. Over time, we see significant potential for bundling of energy and services propositions to our residential customer base.

In Commercial and Industrial energy supply, the integration of Hess Energy Marketing is proceeding well. Our priority for 2014 is to fully integrate the teams, retaining key personnel and systems and in turn to deliver good service levels and high levels of customer retention. In the first three full months of our ownership, the business has delivered EBITDA in excess of our investment case. Over time, the enhanced scale, dual fuel capabilities, advantaged positions along the gas value chain and long-term customer relationships delivered by the Hess acquisition provide additional growth opportunities.

Our International E&P business has been reorganised with a substantially new leadership team, to help realise the full potential of the international resource base. We have added 155mmboe in total to our 2P reserves, organically and through acquisition. We also retain a number of attractive investment options, particularly in Norway and Canada, having increased our 2C resource base by 28% to 771mmboe over the year. However, with rising costs in the UK in particular, we are targeting savings to keep unit lifting and other cash production costs flat over the next three years.

Against this backdrop, we are being increasingly selective in our investment, concentrating on the most attractive opportunities. An increasing proportion is expected to be directed towards North America, where we

are well placed to benefit from any increase in gas prices. Taking account of forward UK gas prices and higher costs, we are targeting a reduction in our organic investment in gas and oil projects to approximately £900 million on average over the next three years. This is around 20% lower than previously expected levels, but will have limited impact on near-term production, which we expect to be in the range 80–85mmboe per annum. Our current level of committed capital expenditure in the short to medium term gives us flexibility to consider acquisition opportunities, if the economics are attractive and the assets provide a good fit with our existing portfolio, while potentially divesting non-core assets for value.

In UK power generation, reflecting the challenging market conditions that resulted in losses for our gas-fired power stations, we will continue to optimise the running of our existing fleet to capture the benefit from any improvement in market spark spreads. However, following our decision not to invest in new nuclear in the UK and to sell the Race Bank offshore wind project to DONG, we expect our near-term investment in the UK power sector to be limited. Any future investment in new build gas-fired generation capacity will depend on the economics of the projects and the successful introduction of a capacity market, including an assessment of the political risk.

Centrica is an important company, providing energy or services for over 11 million homes in the UK as well as serving some six million customer accounts in North America. We directly employ over 35,000 people worldwide, make a tax contribution of around £1 billion a year and make a valuable contribution to retirement savings through our dividend payments, as well as securing cost-effective sources of energy for the UK.

Centrica has a strong balance sheet, providing flexibility for targeted investments for value. However, maintaining tight capital discipline is a core priority, as evidenced by our share repurchase programmes. We are recommending full year dividend growth of 4% in 2013, in excess of the UK retail price index and are maintaining our commitment to real dividend growth.

In a challenging external environment, we remain committed to our guiding principles of offering good service and value for customers and playing a vital role in the transition to a lower carbon economy. Whilst the outlook for the UK business has been impacted by short-term political uncertainty, we are taking positive action across the Group to position the business for the long term, for the benefit of both customers and shareholders.

SAM LAIDLAW
Chief Executive
20 February 2014

Strategic Report

Key Performance Indicators

We monitor our performance by measuring and tracking key performance indicators (KPIs) that we believe are important to our longer-term success. Long-term sustainable performance of these KPIs is linked to the remuneration arrangements of our Executive Directors and senior executives.

Financial indicators

ADJUSTED OPERATING PROFIT

Operating profit is our key measure for financial performance. For remuneration purposes, operating profit is adjusted to a post-tax basis and by a charge on capital to set the economic profit performance targets.

Strategic priorities

Increase

Adjusted operating profit £m

£2,695m

2013	2,695
2012	2,743
2011	2,415
2010	2,390

Target for 2014

To continue to drive towards our three-year economic profit target range of £2,600 million to £3,400 million.

ADJUSTED BASIC EARNINGS PER SHARE (EPS)

EPS is an industry standard determining corporate profitability for shareholders. EPS is adjusted to reflect better the performance of the business. With economic and market headwinds impacting many areas of the business, adjusted EPS was flat year-on-year.

Strategic priorities

Increase

EPS pence

26.6p

2013	26.6
2012	26.6
2011	25.1
2010	24.4

Target for 2014

To deliver real growth in adjusted EPS over successive three-year periods.

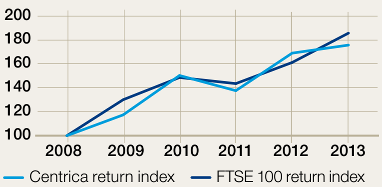
TOTAL SHAREHOLDER RETURN (TSR)

The Board believes that TSR is a valuable KPI to assess the Company's performance in the delivery of shareholder value. Centrica was on track to outperform the FTSE 100 Index until the sharp drop in share price in the last quarter of 2013, caused by political uncertainty. As a result, the TSR performance measures under the long-term incentive arrangements due to vest in April 2014 will not be met.

Strategic priorities

Increase

TSR indices unaudited



Source: Althos Limited, 31 December 2008 = 100

Target for 2014

To deliver improved levels of relative TSR as a measure of performance over a sustained period.

DIVIDEND PER SHARE

Dividend per share indicates the level of earnings distributed to Centrica shareholders. We delivered dividend growth of 4% in 2013.

Strategic priorities

Increase

Ordinary dividend pence

17.0p

2013	17.0
2012	16.4
2011	15.4
2010	14.3

Target for 2014

To deliver real growth each year. Dividends paid contribute to relative TSR.

Unless otherwise stated, all references to operating profit or loss, taxation and earnings numbers throughout the report are adjusted figures, as reconciled to their statutory equivalents in the Group Financial Review on page 35.

Deloitte LLP review our non-financial key performance indicators, providing limited assurance using the International Standard on Assurance Engagements (ISAE) 3000.

Non-financial indicators

LOST TIME INJURY FREQUENCY RATE (LTIFR)

Safety remains a core priority at Centrica. Our work to build a safety-first culture has helped drive consistent improvements in the safety of our activities.

Our Group LTIFR in 2013 reduced by 45% to 0.11 per 100,000 hours worked.

Strategic priorities

Innovate Integrate Increase

LTIFR per 100,000 hours worked

0.11

2013	0.11
2012	0.20
2011	0.25

Target for 2014

Continue to grow a best practice safety culture and at least maintain and if possible further improve our LTIFR performance.

PROCESS SAFETY

Process safety focuses on the integrity of operating systems and processes that handle hazardous substances in order to prevent the potential for major incidents.

There were no significant process safety events in 2013.

Strategic priorities

Integrate Increase

Significant events

0

(2012: 0)

Target for 2014

Continue to improve process safety awareness and performance metrics.

CUSTOMER TRUST

We use net promoter scores (NPS) to measure customer satisfaction in British Gas in the UK and Direct Energy in North America.

British Gas NPS decreased, primarily due to the price announcement and in common with other suppliers. British Gas' score was +15, which is in the low performance range. Direct Energy NPS increased to +40, which is in the high performance range.

Strategic priorities

Innovate

Net promoter scores

British Gas	2013	+15
	2012	+30
Direct Energy	2013	+40
	2012	+39

Target for 2014

British Gas:
Return to the high performance range.

Direct Energy:
Remain within the high performance range.

EMPLOYEE ENGAGEMENT

The employee survey allows us to measure engagement and receive feedback from across the Group on how we are progressing in making a positive work environment.

In 2013 we achieved a score of 4.81 out of 6 in the survey, placing us within the median performance range.

Strategic priorities

Innovate Integrate Increase

Employee engagement

4.81 out of 6

2013	4.81
2012	4.72

Target for 2014

To continue to strive towards top quartile performance, measured against an independent high performance benchmark range.

International Downstream

> We are developing innovative products and propositions to provide customers with greater convenience and control over their energy.

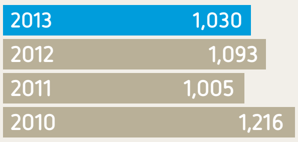
In International Downstream, we are investing across energy and services to provide the highest level of customer service in both the residential and business markets. This includes advancements in our digital capability to allow customers to engage with us when and where they want. We are also developing innovative products and propositions – such as smart thermostats, time of use tariffs and distributed generation – to provide customers with greater convenience and control over their energy, helping them save money by reducing their consumption. In British Gas, we lead the industry in smart metering, energy efficiency, help for the vulnerable and in ensuring that our pricing is simple, fair and transparent. In Direct Energy, our acquisition of Hess Energy Marketing positions us as the number one C&I gas supplier on the East Coast of the US and the number two C&I electricity supplier in the competitive US retail markets.

CHRIS WESTON
Managing Director, International Downstream

Our International Downstream business

British Gas
Adjusted operating profit £m

£1,030m

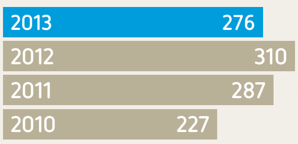


For the year ended 31 December	2013	2012
Adjusted operating profit (£m)		
Residential energy supply	**571**	606
Residential services	**318**	312
Business energy supply and services	**141**	175
Total British Gas	**1,030**	1,093
Customer numbers ('000)		
Residential energy customer accounts[1]	**15,256**	15,618
Residential services product holdings	**8,227**	8,402
Business energy supply points	**912**	924

[1] British Gas Residential energy customer accounts for 2012 have been restated to exclude 38,000 accounts subsequently classified as dormant.

Direct Energy
Adjusted operating profit £m

£276m



For the year ended 31 December	2013	2012
Adjusted operating profit (£m)		
Residential energy supply	**163**	156
Business energy supply	**77**	121
Residential and business services	**36**	33
Total Direct Energy	**276**	310
Customer numbers ('000)		
Residential energy customer accounts	**3,360**	3,455
Residential and business services customer accounts	**2,608**	2,401

What we do

BRITISH GAS

British Gas is the UK's leading energy supplier and provides energy or services to around 11 million homes in Britain, as well as providing energy to over 900,000 UK business supply points. British Gas Services installs, repairs and maintains boilers and heating systems and helps customers reduce their energy consumption and cut costs with a range of energy-saving measures. Our engineers also service electrical systems, appliances, plumbing and drains. Service excellence is critical to British Gas operations and will remain at the heart of all we do.

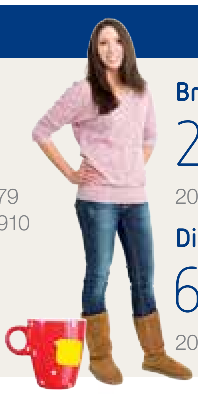
britishgas.co.uk

DIRECT ENERGY

Direct Energy is one of the largest retail providers of electricity, natural gas and home services across North America, operating in eight Canadian provinces and all US states. With more than six million customer relationships, we cover residential, business, services and supply. Our Company is committed to providing energy and services in ways that improve the quality of everyday life. We believe that our customers are our greatest asset and meeting their needs compels us to communicate and innovate so that we can become the best energy company in the market.

directenergy.com

Key metrics



Employees

34,489

British Gas: 28,579
Direct Energy: 5,910

British Gas customer accounts

24.4m

2012: 24.9m

Direct Energy customer accounts

6.0m

2012: 5.9m

British Gas gross revenue

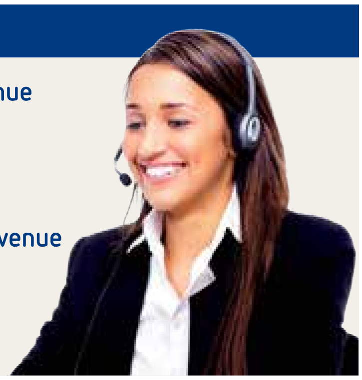
£14,226m

2012: £13,857m

Direct Energy gross revenue

£7,325m

2012: £5,684m



British Gas: Focus on service, efficiency and innovation

- We are aiming to deliver industry leading, high quality service for customers
- British Gas Residential operating profit fell due to higher commodity and non-commodity costs and warm weather towards the end of the year. We are targeting a return to customer account growth helped by our January 2014 price reduction and the introduction of new fixed price propositions
- We have simplified our product range to four residential tariffs and have made further improvements in our transparency of reporting. We were the first energy supplier to reduce retail tariffs in 2014, following proposed ECO changes
- British Gas Services benefited from cost reduction initiatives. Also targeting a return to customer account growth, we are leveraging our insurance capabilities and developing differentiated propositions such as Hive, our remote heating control
- British Gas Business operating profit fell as a result of the difficult trading environment and the end of the auto-rollover of contracts. We have a £100 million cost reduction programme underway, as well as the implementation of a new billing system

Corporate responsibility

British Gas

- Helped more than 1.8 million vulnerable households
- Investing in jobs, training 1,200 apprentices
- Over 1.3 million smart meter installations in the UK

Direct Energy

- Provided $600,000 to help vulnerable customers in Texas pay electricity bills
- Over 600 agents trained at Customer Service Excellence workshops

Corporate Responsibility Review on page 39

Direct Energy: Enhanced scale in deregulated markets

- Overall Direct Energy profitability fell, reflecting challenging market conditions leading to a narrowing of energy supply margins. We launched a $100 million cost reduction programme to improve competitiveness, driving synergies from enhanced scale
- In Direct Energy Residential we saw profit growth as we benefited from previous acquisitions; our innovative products and enhanced digital capability will be the key to future growth
- Direct Energy Business margins and profitability declined, with rising wholesale costs and a highly competitive power supply market. The Hess integration is proceeding well. We see growth potential through enhanced scale, dual fuel capabilities, advantaged positions along the gas value chain and long-term customer relationships
- Direct Energy Services profitability increased with services accounts up by more than 200,000. Our services protection plans are a unique differentiating factor and we have significant potential for combining energy and services

The risks and challenges

- Restoring public trust
- Further political and regulatory intervention and reform
- Challenging competitive environments and market conditions
- The need to manage exposure to volatile commodity prices and adverse weather
- HSE&S risks arising from our operations
- Compliance with existing laws and regulation
- Successful delivery of major new billing and CRM systems
- The need to maintain service levels
- Successful integration of Hess

Principal Risks and Uncertainties on page 42

A new management structure is in place, designed to enable us to focus on improving our core operations to deliver better customer service.

"We continue to lead the industry in helping the most vulnerable, having helped more than 1.8 million households suffering from fuel poverty.

INTERNATIONAL DOWNSTREAM

The operating environment for both our UK and North American downstream businesses was challenging during 2013. However, we made good strategic progress on both sides of the Atlantic, positioning ourselves for the future, and our downstream strategic priority – Innovate to drive growth and service excellence – has been reaffirmed. Under the leadership of Chris Weston a new management structure is in place, designed to enable us to focus on improving our core operations to deliver better customer service and drive growth through innovative propositions.

BRITISH GAS

In the UK, the operating environment for our downstream energy supply businesses was unprecedented. Affordability has been a key concern for both residential and business customers, amplified by media and political debate ahead of the 2015 election. Against this backdrop we welcomed the Government's proposed changes to the Energy Company Obligation (ECO), announced in December, which enabled us to be the first UK energy supplier to reduce retail tariffs. We have also made good progress in positioning the business for the future, with further development of our digital platforms, the launch of new propositions, continued industry leadership on smart metering and an ongoing focus on service and cost-efficiency.

Residential energy supply operating profit fell by 6%, reflecting warmer weather towards the end of the year and higher commodity and non-commodity costs, while business energy supply and services operating profit fell by 19% in challenging market conditions. A continued focus on cost reduction resulted in an increase in residential services profit, although delivering new sales of services contracts proved challenging. The health and safety of our employees and customers remains a core priority and the lost time injury frequency rate (LTIFR) over 2013 was 0.11 per 100,000 hours worked in British Gas (2012: 0.23).

Tough environment for residential energy supply

Having absorbed higher commodity and non-commodity costs for as long as possible, we took the decision in October to increase average household gas prices by 8.4% and average household electricity prices by 10.4%, an average of 9.2%. The price rise took effect in late November. However, the UK Government's proposed changes to the ECO programme allowed British Gas to reduce average household gas and electricity prices by 3.2%, effective from 1 January 2014. Including the Government's £12 rebate in relation to the Warm Home Discount, the average customer bill will reduce by £53, or 4.1%.

We strongly support the aims of the ECO programme, which is providing energy efficiency measures such as insulation to transform homes and communities across the UK, helping keep homes warm and reducing carbon emissions. Therefore we welcome the proposed changes to the ECO programme, which will extend the obligation period by two years to March 2017 and broaden eligibility measures, allowing us to help more customers and reduce the short-term impact on bills. We expect our costs to be over £1.7 billion over the life of the programme and in 2013 we incurred £420 million of costs. We also completed all work under the CERT and CESP programmes around the middle of 2013, later than the target date of December 2012. Overall, through these programmes, we installed 236,000 energy efficiency measures in customer homes in 2013, over half of which were for the elderly, disabled or those most in need.

We continue to lead the industry in helping the most vulnerable, having helped more than 1.8 million households suffering from fuel poverty. We maintain the widest eligibility criteria among all energy suppliers for the Warm Home Discount, which benefited over 500,000 of our customers during the year. We also protected these customers from our November price increase through an additional discount of up to £60 to be applied to their bills.

We now offer four distinct tariffs, all with a standing charge and single unit rate and have consolidated our discount structures. We introduced our unique Tariff Check in the first half of the year, which provides a personalised comparison of their energy costs under each British Gas tariff and enables customers to check that they are on the most appropriate tariff for them. In October, the Government announced a new annual competition review for the UK energy sector and we expect the results to be published around the end of the first quarter of 2014.

Helping restore confidence in the energy industry is a top priority for British Gas. Our independent Customer Board is in its third year and has continued to challenge and advise on a range of service and product topics. We are making good progress on implementing Ofgem's Standards of Conduct and have established a Customer Fairness Committee, which includes two independent external members. We also continue to invest in jobs, with 1,200 apprentices currently in training, while we have committed that from January 2014 all UK-based employees will be paid at least the living wage rate.

Focus on delivering great customer service

The number of residential accounts on supply as at the end of 2013 was 15.3 million, 2% lower than at the start of the year. This reflects a competitive market and higher levels of customer churn in the period immediately following our pricing announcement in October. Customer account losses have continued into 2014, with around 100,000 in the year to date, however the position is now stabilising, reflecting our January 2014 price reduction and the introduction of new fixed price propositions.

In a competitive market for energy supply it is important to focus on delivering high levels of customer service. The migration of our residential customers onto a new Customer Relationship Management (CRM) platform will be completed in 2014. We experienced some system outages during implementation, which was exacerbated by higher call volumes caused by the tariff increase announcement. Reflecting this, the total British Gas net promoter score decreased to +15 in 2013 (2012: +30). However, we invested in additional customer service advisers to address the short-term issues and the new system is expected to deliver a more integrated customer experience.

We are leading the industry in the use of digital platforms, reducing our cost to serve and increasing customer engagement. British Gas was awarded best ecommerce utility supplier at the 2013 ecommerce awards for excellence. Customer downloads of our top-rated mobile app were up 37% and over a million have been downloaded since its launch. The number of customers transacting through digital channels also increased. Total transactions increased 16%, while 1.2 million customers booked their

annual service or boiler breakdown online, up 22% and nearly 40% of bills were sent electronically. In January 2014 we fully launched Me (Mobile Energy), a new energy brand capable of being delivered entirely via mobile devices and aimed at the private tenant segment.

We are also developing smart and connected home solutions to give customers greater visibility and control over their energy usage. We have now installed over 1.3 million smart meters for homes and businesses in the UK, with over 800,000 of these for residential customers and in 2014 we expect to be the first company to install smart meters for residential prepayment customers. The industry-leading progress we have made leaves us well placed, as we move towards the mandated roll-out of smart meters in the UK from the end of 2015. Over 200,000 customers now receive our Smart Energy Report, which we launched in March 2013. This provides customers with comprehensive analysis of their energy usage and has resulted in a positive impact on customers' perception of British Gas. In September we launched Hive, our rebranded remote heating control proposition, which allows customers to control their heating and hot water remotely via their smartphone or online. Initial brand recognition has been strong, and we have now sold over 50,000 smart thermostats, with weekly sales having doubled since the Hive launch.

Strong cost focus in residential services in tough sales environment

Market conditions remained challenging for British Gas Services, in part due to continued pressure on household disposable income. Retention of existing customers was strong, with customers recognising the value of our services products during sustained periods of cold weather in the first half. However, sales of new products were lower reflecting the overall economic environment. As a result, the number of services customer accounts fell by 2% during 2013, ending the year at 8.2 million. We are beginning to see some pick up in the market for new central heating installations, with the number increasing by 7% in 2013 compared to 2012 and by 10% in the second half of the year, in part reflecting our leadership position on the Green Deal. British Gas was the first energy supplier to market on the Green Deal and we now have 300 Green Deal advisers trained and have completed over 10,000 installation measures.

British Gas Services delivered strong levels of operational performance in the year. Overall we responded to 3.2 million boiler breakdowns, over 200,000 more than in 2012. Despite the higher workload, our net promoter score increased to +59 (2012: +55) while the average speed to answer calls improved.

Although we incurred additional costs as a result of the higher level of call-outs, residential services operating profit increased slightly compared to 2012, reflecting the benefit of cost-savings delivered in 2012 and 2013. With the existing cost reduction programme now complete, we will maintain a keen focus on cost-efficiency in the business. We will also look to develop new and innovative products and propositions. During 2013 we launched packages tailored specifically for landlords and tenants, while we also launched British Gas branded home insurance in partnership with AXA and entered into a new partnership agreement with Nationwide's buy-to-let mortgage arm.

Continued challenging market conditions for business energy supply and services

The number of business energy supply points fell by 12,000 over the year and were flat in the second half of the year. The tough economic and competitive environment continued to put pressure on business energy supply margins, which were also impacted by our programme to end the auto-rollover of contracts at renewal, for the benefit of customers. This decision ensures our customers have a transparent choice of products and should provide long-term benefits. As a result of the margin pressures, operating profit in 2013 was significantly lower than in 2012.

During the year we started the implementation of a new business energy billing system, which is proceeding to plan and is expected to be fully operational by the end of 2014. The system leverages previous investment in residential platforms and will result in improved customer service at lower cost, helping to offset margin pressures. We continue to develop our business services propositions and we have now mobilised two major new contracts with Cornwall Council and a consortium of eight local authorities in the North East of England. We have also signed and commenced work on 13 energy performance contracts. Business services revenue increased by 11% in 2013 compared to 2012, while our secured pipeline of future work increased by 25% to over £200 million.

Reduced year-on-year operating profit

Total British Gas gross revenue increased to £14,226 million (2012: £13,857 million) while total British Gas operating profit fell to £1,030 million (2012: £1,093 million) with a slight increase in residential services profitability more than offset by declines in residential energy supply and business energy supply and services. British Gas has delivered its £300 million share of the Group's cost reduction programme, with the full year impact of 2012 initiatives coming through and further savings delivered in 2013 through procurement, IT and operational efficiencies. Reflecting the impact of inflation and investment in growth areas, British Gas operating costs were up slightly in 2013 compared to 2012, while previous investment in systems and a more proactive approach to helping customers resulted in the bad debt charge as a proportion of revenue holding broadly flat.

Residential energy supply gross revenue increased to £9,487 million (2012: £9,121 million), predominantly reflecting the impact of higher commodity and non-commodity costs on retail gas and electricity tariffs. Average gas consumption was broadly flat compared to a cold 2012, with a decline in underlying consumption and warmer than usual weather in the fourth quarter offsetting the impact of unusually cold weather in the first half. Average electricity consumption fell by 3%. Second half operating profit fell by 18% compared to 2012, while full year operating profit fell by 6% to £571 million (2012: £606 million), as increased revenue was more than offset by higher external costs, with commodity, transmission, metering and environmental costs all rising. The full year post-tax margin decreased to 4.5% (2012: 5.0%).

Residential services gross revenue decreased slightly to £1,655 million (2012: £1,674 million). Operating profit, including the receipt of an ECO management fee from residential energy supply, increased to £318 million (2012: £312 million), while the post-tax margin increased to 14.6% (2012: 14.1%), primarily reflecting the impact of operational efficiencies. Business energy and services gross revenue increased to £3,084 million (2012: £3,062 million), while operating profit, including credits arising from improved revenue and billing processes, fell by 19% to £141 million (2012: £175 million), reflecting the margin pressures. The post-tax margin fell to 3.7% (2012: 4.2%).

Positioning the business for the future in a tough external environment

Having completed a comprehensive review of the business, our focus is on improving our core operations to enhance service and reduce costs, while driving growth through innovative propositions.

In British Gas Residential and British Gas Services, we are targeting industry leading service levels for our customers. We will aim to improve service and deliver efficiencies by simplifying key customer interactions, such as moving home and paying by direct debit, to provide an effortless, consistent experience through all channels. Our project to move to a single residential billing platform for energy and services, which is expected

to be completed this year, will improve service and cost-efficiency as well as facilitating the integrated propositions needed to deliver increased energy and services cross-selling.

In addition, our leadership in digital, smart and connected homes enables us to offer compelling, differentiated propositions, such as our Hive Active Heating smart thermostat. We currently expect to have installed 1.3 million residential smart meters and to have sold over 100,000 smart thermostats by the end of 2014. We continue to see the smart connected home as core to our customer proposition, materially improving the customer experience and providing an opportunity for growth.

We see further growth opportunities in residential services from new pricing structures and expanded product choice, leveraging our insurance capabilities. We also see opportunities to grow share in adjacent, under-served markets such as the landlord sector and from improved conversion of boiler installation enquiries into sales. Overall, through enhanced price competitiveness and innovation, we are targeting a return to account growth in both residential energy and services.

In British Gas Business, a sustained programme of process simplification and the implementation of a new billing system, which started in 2013, is expected to deliver improved service at lower cost. We expect to deliver £100 million of annual operating cost and bad debt reductions by the end of 2015 and have already delivered around £20 million of this in 2013. This will help to offset the impact of transitioning our commercial model, including our decision to lead the market in ending auto-rollover at contract renewal.

As in the residential business, we will drive growth in business energy supply by developing new offerings tailored to valuable customer segments and utilising a more targeted channel strategy. In business services, where the market opportunity is comparable in size to business energy, we expect to grow a material position over time, through a combination of organic and inorganic growth.

DIRECT ENERGY

Market conditions for our North American downstream energy supply businesses proved challenging in 2013, as rising gas and power prices, declining barriers to entry and an increasingly competitive environment among both competitive energy suppliers and default utility providers led to a narrowing of margins. However, we made good strategic progress during the year, with the acquisition of the Hess Energy Marketing business significantly enhancing our scale and capability in Commercial and Industrial (C&I) gas supply, the acquisition of Bounce Energy providing a leading internet-based digital platform and further organic growth in our services protection plan product. We also continued our strong focus on health and safety, with the LTIFR remaining low at 0.12 per 100,000 hours worked in Direct Energy (2012: 0.11).

Direct Energy's scale in deregulated markets leaves us uniquely positioned in North America to respond to these challenging market dynamics. In the fourth quarter of the year the business was reorganised and the role of Chief Operations Officer was created to lead the drive for operational synergies across our businesses. In 2014 the business will be focused on delivering further cost reductions and building our range of innovative new products and services, with an increased focus on digital channels. We are positioning the business for growth, through innovation and attractive products and propositions, while the Hess acquisition provides us with the ability to optimise positions along the gas value chain.

The combination of organic growth and the effect of acquisitions has increased the scale of the business, resulting in an increase in Direct Energy gross revenue to £7,325 million (2012: £5,684 million). However, operating profit fell to £276 million (2012: £310 million), principally reflecting lower margins in business power energy supply. The operating profit in 2013 includes £14 million of integration costs and £22 million of additional amortisation of acquired intangibles relating to the Hess acquisition.

> We continued to develop innovative products and during the second half of the year we launched our Free Electricity Saturdays product.

Competitive pressures offsetting the impact of acquisitions in residential energy supply

Operating profit for Direct Energy residential energy supply was up slightly in 2013, as the positive impact of previous acquisitions and reduced operating costs were largely offset by some narrowing of margins in Texas and the continued decline of our customer base in Ontario as a result of our decision to forego renewals and new customer sales due to the Energy Consumer Protection Act (ECPA). Gross revenue increased to £2,517 million (2012: £2,357 million) reflecting higher gas and power prices, while operating profit was £163 million (2012: £156 million) and the post-tax margin was unchanged at 4.4%.

The number of residential energy accounts at the end of 2013 was 3.4 million, a slight decline since the start of 2013, in part reflecting the expected decline in Ontario, a highly competitive sales environment in both Texas and the US North East and the expected loss of aggregation customers in the US North East.

In Canada, we now have less than 200,000 customer accounts in Ontario. The business is no longer core to our operations, with the region delivering only 11% of our residential energy supply operating profit in 2013 compared to 20% in 2012 and 29% at its peak in 2010. We also experienced a small drop in our regulated customer base in Alberta, although this was partially offset by growth in the competitive customer base in the region. This resulted in an increase in profitability in Alberta.

In the US North East, the number of accounts fell by 72,000, to 1.3 million, with the loss of 53,000 aggregation customers and the impact of a competitive sales environment being only partly offset by improved retention rates. However, profitability increased in the region, reflecting cost-efficiencies and the successful integration of customers acquired in 2012 in the Energetix and NYSEG Solutions transactions onto our systems.

In Texas, retention rates also improved, with churn improving by two percentage points. However, a highly competitive sales environment, with around 50 retail energy suppliers and 200 competitive offers, resulted in reduced renewal margins. To help offset this margin decline, we focused on lowering our operating cost base, with our cost to serve per customer in Texas falling by 24%. We also continued to develop innovative products and during the second half of the year we launched our Free Electricity

Saturdays product, while we increased sales of our prepayment product, Power To Go by 30% in 2013. In the second half of the year we also completed the acquisition of the independent electricity retailer, Bounce Energy, for $42 million (£27 million), adding 80,000 accounts to our Texas business and further consolidating our position as a top three retail energy provider in Texas. The acquisition provides a leading internet-based digital and ecommerce platform, for marketing innovative products and online account management and over time we expect this platform to aid residential energy and services account growth in all our core regions.

Volume growth in business energy supply not fully offsetting margin pressures

On 1 November we completed the acquisition of the New Jersey-based energy marketing business of Hess Corporation for $1,194 million (£736 million), including a payment for working capital of $416 million (£257 million). The acquisition makes Direct Energy the largest C&I gas supplier on the East Coast of the US and the second largest C&I power supplier in the competitive US retail markets and gives us a more balanced gas and power customer portfolio. It also builds on our existing capabilities and further integrates our activities along the gas value chain, linking gas supply from producers and other market participants, through secured transport and storage capacity, to both our C&I and residential customer bases. The initial performance of the acquired business has been strong.

Direct Energy business energy supply gross revenue increased by 52% to £4,238 million (2012: £2,795 million), reflecting the impact of higher wholesale commodity prices and increased sales volumes. Electricity volumes increased by 24% to 63.9TWh (2012: 51.4TWh) and gas volumes more than doubled to 1,839mmth (2012: 793mmth) reflecting two months of contribution from the Hess Energy Marketing business and good sales performance. However, the power market has been increasingly competitive with, up until January 2014, potential competitors finding it easier to access credit and reduced market volatility providing lower barriers to entry. This led to a 36% decline in profitability to £77 million (2012: £121 million). The underlying post-tax margin, excluding the impact of integration costs and additional amortisation associated with the Hess acquisition, fell to 1.8% (2012: 2.8%).

The business energy supply division now includes power generation and midstream activities. In December we announced the sale of our three Texas-based power stations, with a combined capacity of 1,295MW, to Blackstone for $685 million (£420 million). The disposal completed in January 2014 and we expect to recognise a profit on disposal of approximately £220 million as an exceptional item in the 2014 financial results. As part of the transaction we also entered into a three-year heat rate call option arrangement with Blackstone for an equivalent amount of capacity. We believe that in the near term this arrangement, together with a liquid physical and financial power market in Texas, can ably support our downstream operations through contractual arrangements rather than asset ownership.

Contract and profit growth in residential and business services

Direct Energy residential and business services gross revenue increased by 7% to £570 million (2012: £532 million), predominantly reflecting an increase in sales from our owned operations and those of our franchises. Operating profit increased to £36 million (2012: £33 million) and the post-tax margin improved slightly to 4.4% (2012: 4.1%) reflecting cost control.

Direct Energy Services gained market share during 2013, with the number of accounts increasing by 207,000. This partly reflects the acquisition of the US-based home services business, America's Water Heater Rentals (AWHR) for $30 million (£18 million), which added over 80,000 residential customers located primarily in the US Midwest, Florida and the US North East. The acquisition was completed in October and provides Direct Energy with an expanded services product range and the opportunity to grow its customer base further in the US, offering rentals alongside heating, air conditioning, plumbing and electrical services across its growing franchise business. In the year we increased our number of franchise territories by 11% to 633.

The increase in accounts also reflects organic growth from developing our protection plan offering in the US, in part leveraging the acquisition of Home Warranty, of America in 2012, and we now have over 100,000 whole-home warranty plans, up from 70,000 at the time of acquisition. Direct Energy Services also benefited from improved optimism in the economy, with a revival in new housing starts helping drive a 25% increase in sales in our residential new construction business.

Positioning the business for the future in a challenging external environment

Direct Energy has had a difficult start to 2014 and market conditions for our residential and business energy supply divisions look set to remain challenging. Although the Hess Energy Marketing business is performing well, Direct Energy has been impacted by a weaker US dollar, continued margin pressures and exceptionally cold weather, which had a significant impact across all suppliers in the US North East and resulted in additional system charges. As a result, we currently expect total Direct Energy operating profit to be broadly flat year-on-year.

Against this backdrop, improving cost competitiveness is a core priority and a cost reduction programme of $100 million is underway, as we deliver synergies from Direct Energy's enhanced scale. We are already benefiting from the creation of an integrated residential energy operations centre in Tulsa and a consolidated energy and services call centre in Phoenix. We are also investing in a new residential energy billing platform for the Alberta market. In Services, we are transitioning from eight separate operating systems to one, to help deliver simplified processes and operating efficiencies as well as to facilitate a more robust franchising platform.

In C&I, the integration of Hess Energy Marketing is proceeding well and on schedule. Our priority for 2014 is to fully integrate the teams, retaining key personnel and systems and in turn deliver exceptional service levels and high levels of customer retention. In the first three full months of ownership, the business has delivered EBITDA in excess of our investment case, with the acquisition expected to be earnings accretive in 2014. Over time, the enhanced scale, dual fuel capabilities, advantaged positions along the gas value chain and long-term customer relationships delivered by the Hess acquisition will provide additional growth opportunities across the enlarged business.

Building a range of innovative product offerings is also core to our business model, improving customer retention and delivering growth. Our Power To Go prepayment product and our innovative Free Electricity Saturdays product have both proved popular with residential energy customers. The Bounce Energy acquisition is already delivering increased sales through digital channels, while we see scope for further growth through connected home propositions. We have a relationship with Nest in Canada and launched a bundled thermostat and energy offering in the first quarter of 2014. Additionally, we plan to launch a Direct Energy branded smart thermostat in 2014.

In services, our franchise model enables expansion for limited capital outlay, while we expect to see further growth in our protection plan offering in the United States. We also recently launched a small scale pilot of a new HVAC leasing proposition. Initial sales have been considerably ahead of our expectations, with customers willing to undertake a higher value of work when purchased through rental payments as opposed to upfront payment. Over time, we see significant potential for combining energy and services propositions to our residential customer base.

International Upstream

> Health and safety remains a core priority and we had no significant safety events in 2013.

In February 2013, I shared the three components of Centrica Energy's strategy: to invest for value in E&P with a focus on North America; to integrate across the gas value chain by increasing our presence in LNG; and to limit our capital employed in power. This is a strategy that has proved robust in the face of considerable market and regulatory challenges and one against which we have made substantial progress in delivering.

In E&P, our C$1 billion acquisition with QPI of onshore oil and gas assets in Western Canada from Suncor and our investment in UK shale with Cuadrilla are important steps towards diversifying our portfolio. In LNG, we signed significant agreements with Cheniere and Qatargas to import sufficient gas to supply up to 1.8 million and 3 million homes respectively. In power, we commissioned the Lincs offshore wind farm in September and chose not to invest in new nuclear, demonstrating our ongoing commitment to capital discipline and shareholder value.

In 2014, we will continue our focus on driving up returns and respond to market conditions by taking advantage of the diversity and flexibility within our portfolio, reallocating capital towards the most attractive opportunities.

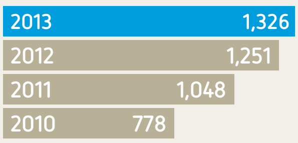
MARK HANAFIN
Managing Director, International Upstream

Our International Upstream business

Adjusted operating profit £m

£1,326m

centrica energy



For the year ended 31 December	2013	2012
Adjusted operating profit (£m)		
International gas	**1,155**	940
UK power	**171**	311
Total Centrica Energy	**1,326**	1,251
Gas and power		
Gas production (mmth)[1]	**3,557**	2,990
Liquids production (mmboe)[1]	**18.7**	17.4
Total gas and liquids production (mmboe)[1]	**77.3**	66.8
UK power generated (TWh)	**21.7**	21.5

[1] Includes 100% share of Canadian assets acquired from Suncor in partnership with QPI.

Following assessment of production rates and drilling results at some projects in the Southern North Sea and a reduction in North American natural gas prices since previous asset acquisitions and developments, we recognised pre-tax exceptional impairments of £699 million. We also recognised a £125 million exceptional onerous contract charge on the Rijnmond tolling contract in the Netherlands, reflecting decreases in expected future revenues.

What we do

EXPLORATION AND PRODUCTION
Our upstream oil and gas business operates in the Irish Sea, the UK, Norwegian and Dutch sectors of the North Sea, as well as in Trinidad & Tobago and owns and operates approximately 6,000 natural gas wells in Western Canada.

POWER GENERATION
Our power generation business has a fleet of gas-fired power stations, wind farms and a 20% share in the power generated by EDF Energy's UK nuclear power plants.

MIDSTREAM
Our midstream operations support the E&P and power generation businesses in the UK and European energy markets. It also includes our growing LNG business.

Key metrics

Employees

2,158

Average achieved gas sales price

53.7p/th

pence per therm (p/th)

+ 9.6%

2012: 49.0p/th

Total gas and liquids production

77.3mmboe

+ 15.7%

2012: 66.8mmboe

Centrica Energy: Securing energy supplies for our customers

- International gas saw an increase in operating profit, with strong production from recently acquired assets and the impact of higher UK gas prices more than offsetting North Sea cost pressures
- We added 155mmboe to our 2P reserves in total with 56mmboe added organically, predominantly in Norway and our 2C resource base increased by 28%
- We recognised £318 million of post-tax exceptional impairments relating to UK Southern North Sea projects and existing Canadian gas assets
- We will be reducing organic E&P capital expenditure by approximately 20% to around £900 million per year on average over the next three years, against a backdrop of rising costs and lower wholesale market prices
- Our target is to have flat E&P unit lifting and cash production costs over the next three years
- Our profit in Power was down significantly despite a strong nuclear performance. The gas-fired fleet was loss making, reflecting weak spark spreads and following the loss of free carbon allowances. In the near term, investment in the UK power sector is likely to be limited

Corporate responsibility

- Developed Group operating principles for onshore natural gas exploration and extraction
- Worked with our partner Cuadrilla Resources to engage communities near potential UK shale exploration sites
- Achieved a lost time injury frequency rate of 0.10 down from 0.22 in 2012
- Zero significant process safety events occurred in 2013

Corporate Responsibility Review on page 39

The risks and challenges

- Continued exposure to volatile commodity prices
- Further political and regulatory intervention and reform
- Health, safety, environmental & security risks arising from our assets and operations
- Effective development of our assets and contracts
- Successful delivery of major capital projects
- Execution of our LNG strategy

Principal Risks and Uncertainties on page 42

We have a new international structure, which enables us to maximise the potential of our core E&P regions of UK and Netherlands, Norway and Canada.

CENTRICA ENERGY

Significant progress towards our refreshed strategic priorities

International Upstream performed well in 2013, with strong gas and oil production, the highest UK nuclear generation volumes for eight years and consistent operational performance from our gas-fired generation fleet. Under the leadership of Mark Hanafin we also made significant progress towards our refreshed strategic priority – to integrate our natural gas business, linked to our core markets – with a new international structure enabling us to maximise the potential of our core E&P regions of UK and Netherlands, Norway and Canada.

We have completed three key transactions: the North American LNG export agreement with Cheniere; the acquisition of a package of producing conventional gas and oil assets in the Western Canadian Sedimentary Basin from Suncor; and the acquisition of a 25% interest in the Bowland shale exploration licence from Cuadrilla Resources and AJ Lucas. Overall, we added 155mmboe of net 2P reserves in 2013, both organically – principally in Norway – and through acquisition and we increased our 2C resource base by 28% to 771mmboe. However, we recognised £318 million of post-tax impairments, reflecting reserve and resource downgrades and increases in expected costs on certain Southern North Sea projects and a reduction in North American natural gas prices since previous asset acquisitions and developments. We also announced the divestments of selected North Sea E&P assets and of non-core UK wind assets for value, evidence of our commitment to maintaining capital discipline.

International Upstream operating profit increased by 6% to £1,326 million (2012: £1,251 million). Gas operating profit increased, reflecting higher production volumes following recent acquisitions and higher achieved prices, partially offset by a decrease in Power operating profit following the loss of free carbon allowances and continued difficult trading conditions for gas-fired generation. Health and safety remains a core priority and we continued our focus on the effective management of major accident hazards through improved process safety training and reporting. We had no significant safety events in 2013, while the LTIFR fell to 0.10 (2012: 0.22).

Increased and more diverse gas and oil production

Total production of gas and liquids increased by 16% to 77.3mmboe (2012: 66.8mmboe). Total gas production volumes increased by 19% to 3,557 million therms (mmth) (2012: 2,990mmth) and total liquids volumes increased by 7% to 18.7mmboe (2012: 17.4mmboe). This predominantly reflects the benefit of a full year of production from the three acquisitions completed during 2012 and a part year of production from the package of Canadian conventional gas and crude oil assets acquired from Suncor in partnership with QPI, with production from new fields broadly offsetting the natural decline in our existing portfolio.

As a result of the recent acquisitions, we now have a more diverse geographical portfolio, with less reliance on Morecambe and larger scale businesses in Norway and Canada. Norwegian production increased by 36% in 2013 and production from Canada increased by 28%, while production from the East Irish Sea contributed only 17% of total 2013 production, compared to 20% in 2012.

The assets acquired in 2012 have overall been producing better than our investment cases and initial production from the Canadian assets acquired from Suncor was ahead of our expectations in the fourth quarter of 2013, following completion of the transaction in late September. This C$987 million (£601 million) acquisition, was made through a newly formed partnership owned by Centrica (60%) and QPI (40%) and was the first transaction made under the Memorandum of Understanding signed between the two parties in 2011. 100% of production and financial performance from the assets have been consolidated into the 2013 results. Centrica's 60% share of 2P reserves from the assets as at the end of 2013 was 101mmboe, which was higher than original expectations and we are well placed to benefit from any upside in North American gas prices through the accelerated development of resources in the portfolio.

In 2013 we had a full year of production from our Ensign and Seven Seas fields, which came on-stream in 2012 and delivered first gas from our York and Rhyl fields in the first quarter of 2013. However, lower than expected production flow rates at Ensign, Seven Seas and York, combined with lower forward gas prices and updated information on resource potential and development costs, have caused significant reductions in the value of these assets, leading to post-tax impairments totalling £252 million.

In the case of Ensign, the lower flow rates have led to adverse revisions of the future reserves potential of producing wells and of additional wells to exploit the potential of the field. In the case of Seven Seas, lower flow rates have led to a downward revision in 2P reserves from the production well. In the case of York, production flow rates from a second well were below expectations and we also suspended drilling on a third well. This has led to an increase in expected capital expenditure and adverse revisions to the future reserves potential of the two producing wells and of additional wells yet to be drilled.

In the second half of the year we announced the disposals of three packages of North Sea assets – a 13% non-operated stake in the Babbage field, a 50% operated interest in the Greater Kittiwake area and a portfolio of assets in the Heimdal area in Norway – disposing of 2P reserves totalling 12mmboe for a combined consideration of £125 million, including contingent consideration. The Babbage and Heimdal disposals, totalling 8mmboe of reserves, were completed in late 2013, with the Greater Kittiwake disposal expected to complete in late February 2014. This is in line with our strategy to optimise the North Sea portfolio, investing selectively in assets around our existing hubs while managing costs and looking to divest non-core assets for value. Taking into account these North Sea divestments and the full year impact of the Canadian acquisition, total gas and liquids production volumes are expected to increase to around 85mmboe in 2014, in line with previous guidance.

Adding value through reserve additions in our E&P portfolio

Centrica Energy added 155mmboe of 2P reserves in 2013, a net 99mmboe from acquisitions and disposals and 56mmboe from existing fields. This represents a total production replacement ratio of 201%, and 73% from organic sources.

In Norway, we recognised an additional 23mmboe of 2P reserves across our Kvitebjorn and Statfjord fields, reflecting strong performance from these assets and demonstrating the quality of our acquisitions

“

Our profile of committed investment gives us flexibility to consider acquisitions, if the economics are attractive and they are a good fit with our existing portfolio.

in Norway. In Canada, incremental reserves of 7mmboe were recognised in the year from our existing portfolio, in addition to the reserves added following the Suncor acquisition. We have now undertaken a review of our larger Canadian portfolio and expect to increase our capital allocation to a number of attractive liquids-rich opportunities in the region, which we believe will drive longer term profit growth. However, we recognised a post-tax impairment of £66 million on our existing gas assets in Canada, reflecting a weaker outlook for North American natural gas prices and an increase in the discount rate applicable to these assets.

We continued to make progress across our development portfolio. In addition to producing first gas from York and Rhyl in the first quarter of 2013, first production from Kew was delivered in January 2014, while we are currently drilling a fourth production well at York. We have now sanctioned a sidetrack well at Grove, which is expected to produce first gas later in 2014. The Statoil-operated Valemon project continues to proceed as planned, with first production expected towards the end of 2014, while the GDF-operated Cygnus project is progressing well and remains on track to bring 53mmboe of reserves into production around the end of 2015.

In the year, we recognised 21mmboe of 2P reserves at Butch in the Norwegian North Sea, which was discovered in 2011, and continue to work on a development plan for the project. We have now also commenced appraisal drilling on the adjacent Butch East well, which has the potential to add further to reserves. On our Block 22 project in Trinidad & Tobago we had drilling successes on two wells, helping to firm up our resource base in the region. We continue to review our development and partnership options for gas export.

In exploration, drilling at the Rodriguez well in Norway in January confirmed the presence of gas condensate, while drilling at Whitehaven in the East Irish Sea in February confirmed a satellite field adjacent to the Rhyl reservoir. In January 2014 we were awarded 10 further Norwegian licences through the Awards in Predefined Areas process. In the UK, we were awarded 16 licences in the second tranche of the 27th UK offshore oil and gas licencing round, in addition to the 6 licences awarded in 2012. Since the start of 2013, in line with our commitment to capital discipline, we have relinquished our interests in Bligh, Christian, Selkirk and Peik. Overall we have an attractive portfolio of exploration prospects and will focus our expenditure on the best prospects.

In June, we announced that we had acquired a 25% interest in the Bowland shale exploration licence in Lancashire from Cuadrilla Resources and AJ Lucas for £44 million. This provides an attractive opportunity to explore the potential for natural gas from shale in the UK, while utilising our expertise as a responsible operator and developer of UK gas resources. We welcomed the Government's announcements in July and December concerning tax allowances relating to shale gas, although much remains to be done to determine its commercial viability in the UK.

Develop our midstream business to integrate along the gas value chain

In March, we announced a 20 year agreement with Cheniere to purchase 91,250,000 (mmbtu) (89 billion cubic feet) per annum of LNG volumes for export from the Sabine Pass liquefaction plant in Louisiana in the United States. The project remains subject to regulatory approvals being achieved for the fifth train, including Federal Energy Regulatory Commission clearance. In early April the export licence application was filed with the US Department of Energy and the full Federal Energy Regulatory Commission application was filed in September 2013. The contract marks an important step in delivering our strategy, as we look to link our positions across the gas value chain and invest in new sources of gas on both sides of the Atlantic, where we see attractive opportunities.

In November, we announced that we had entered into a further supply agreement with Qatargas to purchase up to 3 million tonnes per annum of LNG for the UK from June 2014. This deal follows on from our existing agreement with Qatargas and highlights Centrica's status as an attractive counterparty, underpinning the UK's access to the global LNG market amidst fierce demand from Asia and Latin America.

Higher gas and oil volumes and achieved prices more than offsetting higher costs

International gas operating profit increased by 23% to £1,155 million (2012: £940 million), reflecting higher production volumes and higher achieved prices. The average achieved gas sales price, including production from North America, increased by 10% to 53.7 pence per therm (p/th) (2012: 49.0p/th). This primarily reflects an increased achieved gas price in Europe of 65.0p/th (2012: 57.6p/th) due to a higher prevailing UK NBP gas price, only partially offset by a change in the production mix towards North America. The achieved gas price for North America and Trinidad & Tobago fell slightly to 20.9 p/th (2012: 23.2p/th). The average achieved oil and condensate price was broadly flat at £61.6 per boe (2012: £61.7/boe).

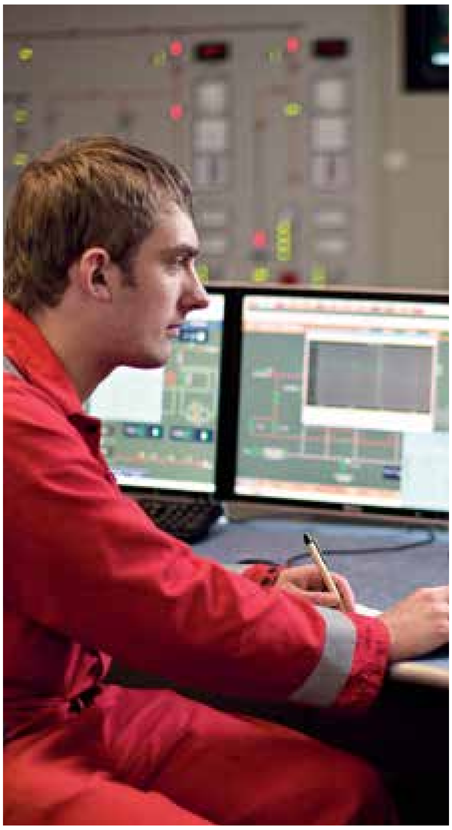
On a per unit of production basis, depletion, depreciation and amortisation costs increased by 23% in the year to £11.4/boe (2012: £9.3/boe) with a shift in production mix towards more recently acquired and developed higher cost fields in Europe, partly offset by additional production from lower cost North American fields. Unit lifting and other cash production costs increased by 2% to £12.6/boe (2012: £12.4/boe), with the impact of industry-wide cost inflation being mostly offset by the impact of an increased proportion of lower cost North American production. Exploration and appraisal costs were £154 million (2012: £143 million), in part reflecting costs written down following licence relinquishments.

International gas operating profit after tax was £325 million (2012: £198 million) and the return on total capital employed was 8.3% (2012: 5.6%). The business generated free cash flow of £180 million, net of total capital expenditure and acquisitions of £1,449 million.

Strong performance from existing nuclear fleet; challenging market conditions for gas-fired generation

Output from the nuclear fleet was once again strong, with our 20% equity share of the output increasing to 12.1 terawatt hours (TWh) (2012: 12.0TWh), the highest annual output since 2005. This reflects continued investment in the fleet, with no large unplanned outages occurring during the year, underlining the quality of our original investment in the British Energy fleet. The average achieved price for the year was £51.9/MWh (2012: £49.6/MWh), reflecting the increase in the baseload power market price and the impact of hedging. An increase in revenue was only partly offset by additional depreciation and inflationary cost pressures, resulting in a 5% increase in nuclear operating profit, to £250 million (2012: £237 million). In February 2013, we announced that we would not be exercising our option to participate in UK nuclear new build, taking into account increased costs and the lengthening time frame for a return on capital invested in a project of this scale.

The market environment remains challenging for gas-fired power generation, with continued low market clean spark spreads. The average gas-fired load factor increased to 27% (2012: 26%), although slightly lower capacity meant that generation volumes reduced to 8.9TWh (2012: 9.0TWh). Against this challenging environment, we continued to minimise costs, running the plants as efficiently as possible and thermal fleet reliability remained high at 97% (2012: 97%), enabling running at peak times. The gas-fired operating loss increased to £133 million (2012: £4 million loss), primarily reflecting the end of free carbon allowances.



Our gas-fired power stations at Barry, Brigg and Peterborough were all awarded contracts by the National Grid in March 2013, as part of its Short Term Operating Reserve market. All the contracts run until the end of the first quarter of 2015, with Brigg awarded a two-year contract, Peterborough awarded a follow-on contract when its current arrangement finishes in 2014 and Barry awarded a one-year contract starting in April 2014.

Availability of our wind assets was 88% (2012: 88%), with generated volumes up 41% to 753 gigawatt hours (GWh) (2012: 533GWh) and a load factor of 36% (2012: 32%), reflecting output from the Lincs wind farm, with all 75 turbines having been fully commissioned by September 2013. In June 2013, we sold our 50% interest in the Braes of Doune onshore wind farm to Hermes GPE Infrastructure fund for £59 million. In December 2013, we were disappointed not to receive a letter of eligibility for transitional Feed in Tariffs for our Race Bank offshore wind project and we sold our 100% interest in the project to DONG Energy Power (UK) Limited, for £50 million. The net impact of these two transactions was a £23 million profit on disposal. We retain a 50% interest in 4.2GW of potential capacity in Celtic Array, the Round 3 Irish Sea Zone. However, we have impaired the carrying value of this project by £25 million in the year. Overall, renewables operating profit reduced to £25 million (2012: £56 million), predominantly reflecting lower net profit on disposal during the year and the Round 3 impairment.

Total Power profitability decreased by 45% to £171 million (2012: £311 million), with increased losses from our gas-fired fleet and lower renewables profit only partially offset by improved nuclear and midstream profits. UK power operating profit after tax was £143 million (2012: £243 million) and the return on total capital employed was 3.8% (2012: 6.7%).

Positioning the business for the future

We made good strategic progress during 2013 and we will benefit in 2014 from a full year's worth of production from the Canadian assets acquired from Suncor. However, the E&P business is facing rising costs in the UK North Sea, while gas and oil prices have reduced from their peaks. As a result, we expect operating profit to reduce in 2014 compared to 2013, although with the move in production mix towards Canada, we expect post-tax profit to be broadly unchanged.

In this environment, while existing projects such as Cygnus and Valemon remain attractive opportunities and we have a number of potentially attractive future development options in Norway, we are likely to concentrate on only the very best North Sea investments with North America potentially a more attractive region for investment. We have also established new processes for project stage-gate review and have reduced our rig commitments, to provide additional assurance and maximise project returns. Overall we expect to invest around £900 million per annum of capital expenditure in E&P projects over the next three years, with an increasing proportion of capital spend in North America. This is around 20% lower than previously expected levels, but will have limited impact on near-term production, which we expect to be in the range 80–85mmboe per annum. Our profile of committed investment gives us flexibility to consider acquisitions, if the economics are attractive and they are a good fit with our existing portfolio, while potentially divesting further non-core assets for value.

Market conditions look set to remain challenging for our gas-fired power stations with no sign of material recovery in 2014. We have sanctioned a further turbine blade upgrade at our 1.3GW South Humber CCGT power station, which will improve the efficiency of the plant and work is scheduled to commence on the project in the first half of 2014. In addition, we have consent for 1GW of new build CCGT on our existing site at Kings Lynn and are exploring the option to repower the existing plant. However, continued political uncertainty is putting investment at risk and any future investment decisions remain dependent on the economics of the projects and the successful introduction of the capacity market. On renewables, we retain interests in our joint venture portfolio of operating wind assets, with purchase agreements for both the power and the ROCs. Our focus will be on maximising value through operating our assets efficiently.

Strategic Report
Operating Review

Centrica Storage

Centrica Storage performed well in 2013 although we have seen a continued narrowing of the spread between winter and summer gas prices, the key driver of seasonal storage revenue. These continued narrow spreads and the recent decision by the government not to support new storage resulted in us writing down our Baird and Caythorpe storage projects. This current market and regulatory environment continues to be challenging and is a major barrier to significant investment in new and existing storage facilities.

As we look to 2014, we will focus on delivering sustainable improvements in operational and cost-efficiency whilst ensuring the continued safe, reliable operation of our Rough storage facility. We will also redouble our efforts with industry and government to ensure that gas storage continues to play an important role in gas supply security for UK businesses and consumers.

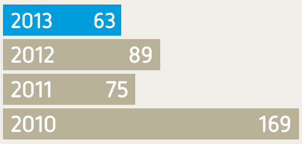
GRANT DAWSON
Chairman, Centrica Storage

> Our Rough gas storage facility makes an important contribution to the UK's security of supply.

Our Centrica Storage business

Adjusted operating profit £m

£63m



For the year ended 31 December	2013	2012
Average SBU price (pence)	**26.7**	31.0
Gross revenue (£m)	**188**	202
Operating profit (£m)	**63**	89

Low seasonal gas spreads, together with the UK government's decision to rule out intervention to encourage new gas storage projects to be built, has caused us not to proceed with the Baird storage project and to put our project at Caythorpe on hold. As a result of these decisions, we have recognised pre-tax exceptional impairments and provisions totalling £240 million.

Key metrics

Employees	Lost time injury frequency rate	Asset reliability
319	0.06	96%

What we do

GAS STORAGE

Our Rough gas storage facility is the largest in the UK, able to meet approximately 10% of the UK's winter peak day demand and representing more than 70% of the UK's current storage capacity. Rough is situated in the Southern North Sea, 18 miles off the coast of East Yorkshire. Here we store gas underneath the sea on behalf of utilities, gas traders and gas producers (including other Centrica businesses), before processing it at our Easington terminal for onward distribution via the National Transmission System.

At Easington, Centrica Storage also processes gas from Centrica Energy's York gas field, located just a few miles from Rough. In 2011/12, the terminal underwent a multi-million pound transformation to enable processing of York gas with first gas flowing into the terminal in March 2013.

In accordance with undertakings given to the Secretary of State for Trade and Industry, Centrica Storage is legally, financially and physically separate from all other Centrica businesses.

Corporate responsibility

- Achieved a lost time injury frequency rate of 0.06 after our first recorded LTI in over three years
- Zero significant process safety events occurred in 2013

Corporate Responsibility Review on page 39

The risks and challenges

- Compliance with existing laws and regulation
- Further political and regulatory intervention and reform
- Further narrowing of the spread between winter and summer gas prices
- Health, safety, environmental & security risks arising from our assets and operations

Principal Risks and Uncertainties on page 42

Centrica Storage: Making an important contribution to the UK's security of supply

- Centrica Storage profitability was impacted by continuing low seasonal gas spreads and we expect a further significant decline in 2014
- The decision not to proceed with new gas storage projects at Caythorpe and Baird resulted in post-tax exceptional impairments and provisions of £224 million
- We launched a programme to deliver £15 million of cost reductions through operational efficiencies over the next three years

CENTRICA STORAGE

Good operational performance in challenging market conditions

Centrica Storage performed well operationally in 2013, with strong reliability of 96% (2012: 92%) helping Rough make an important contribution to the UK's security of supply during periods of sustained cold weather in the first four months of the year. However, operating profit fell by 29%, reflecting narrowing summer/winter gas price differentials.

The Net Reservoir Volume (NRV) reached record low levels in April, as we experienced sustained customer withdrawals during the prolonged cold weather. As temperatures returned to more normal levels from mid-April, customers switched to injection and the business delivered a record year in terms of gas volume injected. With warmer weather in November and December resulting in less withdrawal than usual towards the end of the year, the NRV ended the year above the five-year average.

Health and safety remains a core priority and Centrica Storage continues to progress its process safety programme. We experienced no further lost time incidents (LTIs) in the year, after recording our first LTI in over three years in March 2013.

Narrow forward seasonal spreads creating commercial headwinds

In April 2013, Centrica Storage announced that it had sold all SBUs for the 2013/14 storage year at an average price of 23.3p (2012/13: 33.9p), reflecting low summer/winter gas price differentials over the course of 2012 and 2013. Forward 2014/15 market spreads remain narrower still.

The narrow summer/winter price spreads also provide a challenging background for new projects. In light of the weak economics for storage projects and the UK Government's decision to rule out incentivisation for additional gas storage capacity to be built, Centrica decided not to proceed with its offshore Baird project and put its project at Caythorpe on hold indefinitely. As a result, a post-tax exceptional charge of £224 million was recognised in the year, relating to impairments and provisions for these projects.

Reduced year-on-year operating profit

Gross revenue fell 7% to £188 million (2012: £202 million). This reflected a lower calendar year SBU price of 26.7p (2012: 31.0p) and lower optimisation revenue, only partially offset by revenue generated from the York gas processing terminal, which was commissioned early in the year. Operating profit decreased by 29% to £63 million (2012: £89 million), primarily reflecting the decrease in revenue, additional fuel costs from the high levels of injection during the year and costs associated with the York terminal.

With forward spreads even lower, Centrica Storage profitability is likely to be only around break-even in 2014. Against this backdrop we will continue our focus on safety and further capital investment will be limited. We have also now launched a three-year programme to deliver £15 million of cost reductions through operational improvements.

Group Financial Review

Financial stewardship and discipline remain important to our business for the benefit of customers and shareholders.

“We are committed to real dividend growth, which will benefit around 700,000 individual shareholders and millions of current and future pensioners.

Group revenue

Group revenue was up 11% to £26.6 billion (2012: £23.9 billion). Revenue increased in British Gas, primarily due to the impact on retail energy prices of higher UK wholesale gas and electricity prices and non-commodity costs. Revenue in Direct Energy increased, predominantly reflecting the impact of higher gas and power volumes and the acquisition of the Hess Energy Marketing business which completed in November. Revenue increased in Centrica Energy, with higher gas and liquids production due to the full-year impact of the 2012 asset purchases and higher achieved gas and liquids prices in Europe. Centrica Storage revenue fell slightly, reflecting lower seasonal gas spreads and a higher proportion of storage capacity sold internally.

£26.6bn

2012: £23.9 billion

Adjusted operating profit

In British Gas, total profitability decreased. Operating profit decreased in residential energy supply, with the impact of higher unit tariffs more than offset by increased wholesale commodity, transmission and metering and environmental costs. Operating profit decreased in business energy supply and services, with lower margins as a result of challenging market conditions and our programme to end the auto-rollover of contracts. Operating profit increased in residential services, predominantly reflecting the impact of cost-efficiencies.

£2,695m

2012: £2,743 million

Adjusted operating profit continued

In Direct Energy, overall profitability decreased, as increases in residential energy supply and residential and business services operating profit, resulting from previous acquisitions and services account growth, were more than offset by decreased profitability in the business energy supply segment, which experienced margin pressure on power sales in a competitive environment. In Centrica Energy, overall profitability increased, with higher operating profit in the gas segment more than offsetting lower power operating profit. In the gas segment, higher gas and liquids production and higher achieved prices in Europe more than offset the impact of increased unit costs. In the power segment, profitability decreased following the loss of free carbon allowances. In Centrica Storage, reduced seasonal gas price differentials led to lower profitability.

Net finance cost

Net finance cost increased to £243 million (2012: £209 million), with higher average levels of debt in the year, as the Group raised $1.35 billion in the US bond market to fund North American acquisitions completed during the year.

£243m

2012: £209 million

Tax

The taxation charge reduced to £942 million (2012: £1,031 million) and the adjusted tax charge was £1,022 million (2012: £1,112 million). The resultant adjusted effective tax rate for the Group was 43% (2012: 45%). An effective tax rate calculation, showing the UK and non-UK components, is shown in the table on page 36.

£1,022m

2012: £1,112 million adjusted tax change

Profit and adjusted basic EPS

Reflecting all of the above, profit for the year was £1,333 million (2012: £1,322 million) and, after adjusting for depreciation of fair value uplifts from strategic investments, adjusted earnings were broadly flat at £1,370 million (2012: £1,378 million). Adjusted basic earnings per share (EPS) were unchanged at 26.6 pence (2012: 26.6 pence).

£1,333m

2012: £1,322 million

Throughout the Operating Review and Group Financial Review, reference is made to a number of different profit measures, which are shown in the table below:

	2013			2012		
	Business performance £m	**Exceptional items and certain re-measurements £m**	**Statutory result £m**	Business performance £m	Exceptional items and certain re-measurements £m	Statutory result £m
Adjusted operating profit						
British Gas	**1,030**			1,093		
Direct Energy	**276**			310		
Centrica Energy	**1,326**			1,251		
Centrica Storage	**63**			89		
Total adjusted operating profit	**2,695**			2,743		
Depreciation of fair value uplifts from Strategic Investments, before tax	**(66)**			(96)		
Interest and taxation on joint ventures and associates	**(111)**			(85)		
Group operating profit	**2,518**	**(626)**	**1,892**	2,562	63	2,625
Net finance cost	**(243)**	**–**	**(243)**	(209)	–	(209)
Taxation	**(942)**	**243**	**(699)**	(1,031)	(140)	(1,171)
Profit for the year	**1,333**	**(383)**	**950**	1,322	(77)	1,245
Depreciation of fair value uplifts from Strategic Investments, after taxation	**37**			56		
Adjusted earnings	**1,370**			1,378		

The Group has applied IAS19 (revised) pensions accounting. As a result, 2012 net finance cost, taxation, earnings and earnings per share have been restated.
To reflect a new organisational structure, the North American upstream gas business has been reallocated from Direct Energy to Centrica Energy.

Statutory profit and basic EPS

The statutory profit for the year was £950 million (2012: £1,245 million). The reconciling items between Group profit for the year from business performance and statutory profit are related to exceptional items and certain re-measurements. The decrease compared with 2012 is principally due to an increased net exceptional charge of £667 million (2012: £481 million) and a reduced gain from certain re-measurements of £284 million (2012: £404 million). The Group reported a statutory basic EPS of 18.4 pence (2012: 24.0 pence).

£950m
2012: £1,245 million

Dividend

In addition to the interim dividend of 4.92 pence per share, we propose a final dividend of 12.08 pence, giving a total ordinary dividend of 17.0 pence for the year (2012: 16.4 pence), an increase of 4%.

17.0p
2012: 16.4 pence

Cash flow

Group operating cash flow before movements in working capital was higher at £3,737 million (2012: £3,542 million), with the full year impact of the 2012 upstream asset purchases being the main contributing factor. After working capital adjustments, tax and payments relating to exceptional charges, net cash flow from operating activities was £2,940 million (2012: £2,820 million).

The net cash outflow from investing activities was lower at £2,351 million (2012: £2,558 million), predominantly reflecting the receipt of a larger nuclear dividend and increased proceeds from the disposal of businesses.

The net cash outflow from financing activities was £791 million (2012: inflow of £190 million). The outflow mainly reflects the impact of the Group's £500 million share repurchase programme, fully undertaken during the year and a reduced net issuance of debt during the period of £809 million (2012: £1,196 million).

£2,940m
2012: £2,820 million

Net debt and net assets

Reflecting all of the above, the Group's net debt at 31 December 2013 was £5,049 million (2012: £4,047 million).

During the year net assets decreased to £5,257 million (2012: £5,927 million), reflecting the impact of the Group's share repurchase programme, actuarial losses on the Group's defined benefit pension schemes and foreign currency movements on the retranslation of foreign subsidiaries.

£5,049m
2012: £4,047 million net debt

£5,257m
2012: £5,927 million net assets

	UK £m	**Non-UK £m**	**2013 Total £m**	UK £m	Non-UK £m	2012 Total £m
Adjusted operating profit	**1,903**	**792**	**2,695**	2,079	664	2,743
Share of joint ventures'/associates' interest	**(60)**	**–**	**(60)**	(44)	–	(44)
Net finance cost	**(146)**	**(97)**	**(243)**	(105)	(104)	(209)
Adjusted profit before taxation	**1,697**	**695**	**2,392**	1,930	560	2,490
Taxation on profit	**493**	**449**	**942**	694	337	1,031
Tax impact of depreciation of Venture fair value uplifts	**29**	**–**	**29**	40	–	40
Share of joint ventures'/associates' taxation	**51**	**–**	**51**	41	–	41
Adjusted tax charge	**573**	**449**	**1,022**	775	337	1,112
Adjusted effective tax rate	**34%**	**65%**	**43%**	40%	60%	45%

Exceptional items

Exceptional pre-tax charges of £1,064 million were incurred within Group operating profit during the year (2012: £534 million). Taxation on these charges generated a credit of £397 million (2012: £93 million) while there was a £40 million exceptional tax charge in 2012 related to the effect of a change in upstream UK tax rates. This resulted in exceptional post-tax charges of £667 million (2012: £481 million).

Following reserve and resources downgrades and increases in expected costs on the Seven Seas, York and Ensign fields in the Southern North Sea and a weaker outlook for North American natural gas prices and an increase in the discount rate applicable to North American assets, the Group recognised pre-tax impairment charges of £699 million relating to UK and Canadian exploration and production assets. Taxation on these charges generated a credit of £381 million, resulting in exceptional post-tax charges of £318 million.

In September, in the light of weak economics for new storage projects and the UK Government's announcement ruling out incentivisation for gas storage capacity to be built in the UK, Centrica announced its decision not to proceed with the Baird offshore gas storage project and to put the onshore project at Caythorpe on hold indefinitely. As a result, the Group has recorded £240 million of impairments and provision charges as exceptional operating costs. Taxation on these charges generated a credit of £16 million resulting in exceptional post-tax charges of £224 million.

The Group also recognised a further onerous contract charge of £125 million (no tax impact) for the Rijnmond power tolling contract in the Netherlands as a result of decreases in expected future revenues.

Certain re-measurements

As an integrated energy business the Group enters into a number of forward energy trades to protect and optimise the value of its underlying production, generation, storage and transportation assets (and similar capacity or off-take contracts), as well as to meet the future needs of our customers. A number of these arrangements are considered to be derivative financial instruments and are required to be fair-valued under IAS39. The Group has shown the fair value adjustments on these commodity derivative trades separately as certain re-measurements, as they do not reflect the underlying performance of the business because they are economically related to our upstream assets, capacity/off-take contracts or downstream demand, which are typically not fair valued. The operating profit in the statutory results includes net gains of £438 million (2012: £597 million) relating to these re-measurements, of which there are a number of elements. The Group recognises the realised gains and losses on these contracts in business performance when the underlying transaction occurs. The profits arising from the physical purchase and sale of commodities during the year, which reflect the prices in the underlying contracts, are not impacted by these re-measurements.

Business combinations

On 15 April 2013, the Group announced that it had agreed to form a partnership with Qatar Petroleum International and jointly acquire a package of producing conventional natural gas and crude oil assets and associated infrastructure located in the Western Canadian Sedimentary Basin from Suncor Energy. The transaction completed on 26 September 2013 for consideration of C$987 million (£601 million). The Group owns a 60% share in the partnership and operates the assets. It has fully consolidated the partnership for accounting and reporting purposes.

On 30 July 2013, the Group announced that it had agreed to acquire the New Jersey-based energy marketing business of Hess Corporation. The transaction completed on 1 November 2013 for consideration of $1,194 million (£736 million) including a payment for the working capital of the business of approximately $416 million (£257 million).

Events after the balance sheet date

Where the Group receives information or a significant event has occurred in the period between 31 December 2013 and the date of this report we update our disclosures in light of the new information.

Risks and capital management

The Group's risk management processes are largely unchanged from 31 December 2012.

Accounting policies

UK listed companies are required to comply with the European regulation to report consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our view on taxation

The Group takes its obligations to pay and collect the correct amount of tax very seriously. Responsibility for tax governance and strategy lies with the Group Finance Director, with the oversight of the Board and the Audit Committee.

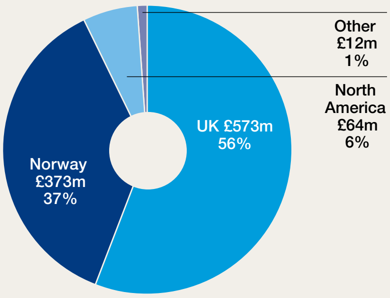
TAXES PAID IN THE UK

A more detailed explanation of the way the Group's tax liability is calculated and the timing of cash payments is provided on our website at centrica.com/values.

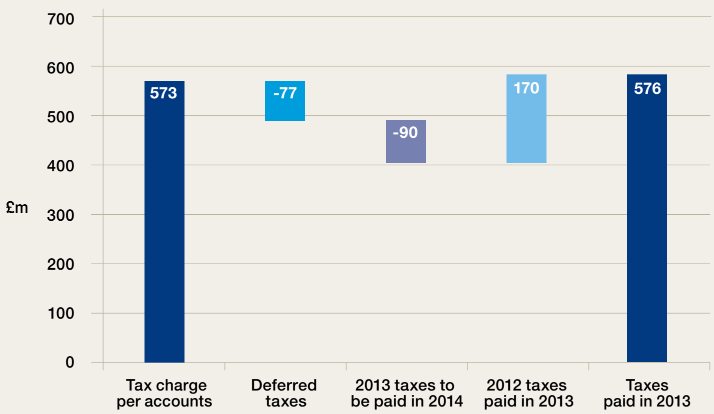
The Group's tax strategy is consistent with its wider Business Principles which are set out in the Chairman's Statement on page 05.

- We maintain a transparent and constructive relationship with HMRC in the UK. This includes regular, open dialogue on issues of significance to HMRC and Centrica. Our relationship with fiscal authorities in other countries where we do business is conducted on the same principles.
- We carefully manage the tax risks and costs inherent in every commercial transaction, in the same way as any other cost. However, we do not enter into artificial arrangements in order to avoid taxation nor to defeat the stated purpose of tax legislation.
- We actively engage in consultation with government on tax policy where we believe we are in a position as a group to provide valuable commercial insight.

Group adjusted tax charge



Breakdown of UK adjusted tax charge



Corporate Responsibility Review

At Centrica, how we do business is integral to what we deliver. A responsible business must build trust and maintain strong sustainable performance over the long term.

> Affordability is a key concern. We are committed to charging fair prices to our customers.

Responsibility metrics

See our corporate responsibility metrics online in our data centre at centrica.com/cr

Our Corporate Responsibility (CR) work is built around four key themes, which reflect Centrica's principal impacts on the communities and environments in which we operate:

- treating customers fairly;
- safeguarding the environment;
- caring for our people and communities; and
- working with our partners.

Previously, our stakeholders' focus was principally on the actions we were taking to safeguard the environment and improve energy efficiency. In 2013, these issues continued to cause concern but the primary focus of public debate moved to the affordability of energy.

Energy companies were challenged on the prices they charge and the margins they earn. They also faced protests related to onshore exploration for shale gas as the country seeks new energy sources.

Affordability is, understandably, a key concern. We strive to keep energy affordable for our customers. At the same time, we have to keep in mind the complex environment in which we operate and the multiple – and sometimes conflicting – interests of our stakeholders. We are committed to charging fair prices to our customers. As an integrated energy company, we also have a responsibility to invest in energy supplies for the future. We therefore need to make sufficient profits to sustain this investment as well as to pay our taxes and provide fair returns to our shareholders.

The following review summarises our progress against each of our CR themes. The themes are an essential part of the work of each individual business, so further information can be found in the Operating Review on pages 18 to 33.

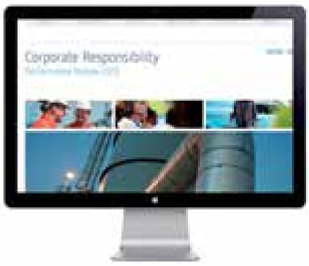
We place a strong emphasis on setting qualitative and quantitative targets for our CR work. The Corporate Responsibility Committee oversees progress towards the targets, as well as reviewing strategic and longer term issues.

More details about Centrica's CR work are available online in our 2013 CR reporting at centrica.com/crreportinghub.

MARY FRANCIS CBE
Chairman of the Corporate Responsibility Committee
20 February 2014

External assurance

Deloitte LLP reviewed selected performance metrics, they provided limited assurance using the International Standard on Assurance Engagements (ISAE) 3000. Deloitte's full assurance statement and the Basis of Reporting are available online at centrica.com/CRassurance.



See the online 2013 Corporate Responsibility Performance Review for further information at centrica.com/cr

Treating customers fairly

Treating customers fairly is essential to earn their trust, retain their loyalty and ensure the long-term sustainability of our business.

Being fair and transparent in our pricing and communications

Affordability of energy is a key issue, especially in the UK. Customers were concerned when we had to increase our prices in October 2013. However, the increase was necessary for us to remain profitable. We play a critical role in the UK providing power and heat for homes and businesses. Earning a reasonable margin is essential to enable us to invest in and secure long-term sources of gas and electricity.

We continue to engage with all policy makers and are working hard to regain the trust of our customers. We fully support the principles introduced in 2013 by the UK energy regulator, Ofgem, to make the UK energy market simpler, clearer and fairer. Our Customer Fairness Committee (CFC) helps us implement these standards and ensure fairness in everything we do for customers. Two members of the CFC are independent of Centrica and British Gas to ensure that we are externally challenged.

Customers told us they found the way we charge confusing. We began transferring all British Gas customers to a fixed standing charge (in line with new regulations) plus a single rate per unit of energy used according to the selected tariff. British Gas Business customers are no longer subject to automatic renewals if they miss the deadline for switching.

Engaging with our customers

We engage with customers to improve the products and services we provide. The British Gas Customer Board enables us to gain valuable insight from customers on key strategic and policy decisions. The Board, made up of nine customer representatives and chaired by Ann Robinson, Head of Consumer Policy at uSwitch.com, covered items such as customer service, simplifying the bill and smart meter roll-out.

We strive to provide great service to our customers and in 2013 British Gas began upgrading IT systems to strengthen our capability to do so. Unfortunately, standards of service to some customers fell below acceptable levels during the systems transition and we accordingly brought in over 300 additional customer service advisers and extra training to address the short-term problems. Direct Energy also focused on training for customer service agents, with more than 600 completing the Achieving Customer Excellence workshops.

Together with energy pricing, customer service remains an important contributing factor to net promoter scores for British Gas and Direct Energy (see page 17).

Caring for our vulnerable customers

Supporting vulnerable customers is becoming increasingly important as more people struggle to pay for essentials. In 2013, we helped more than 1.8 million vulnerable households and over 8,000 struggling small businesses in the UK through contributions to mandatory government programmes and additional support including debt advice, payment assistance and energy and household grants from the British Gas Energy Trust (an independent charity). Direct Energy provided $600,000 through the Neighbor-to-Neighbor programme to help vulnerable customers in Texas pay electricity bills.

Caring for our people and communities

Strong relationships with our employees and the communities where we operate are central to our ability to perform effectively.

Creating a great place to work

To attract and retain the most talented people, we need to create a rewarding and fulfilling place to work where employees are engaged in the business strategy, motivated to help us achieve success and have clear opportunities to develop their own skills and careers. Overall engagement levels have continued to improve across the business, up from 4.72 in 2012 to 4.81 out of 6 in 2013 – above average for peer companies in the UK and the US.

Continuously focusing on safety across our assets and operations

Our operations are inherently hazardous and safety is a core priority. In 2013, we continued to embed a strong safety culture, with improved risk management processes and further training on process safety in our upstream business and a focus on customer safety and safe driving in our downstream business.

Safety performance improved across the business for employees and contractors, with a 45% reduction in our lost time injury frequency rate – to 0.11 per 100,000 hours worked – and a 46% reduction in our total recordable injury frequency rate to 0.76 per 100,000 hours worked. There were no significant process safety events in 2013.

Supporting local communities

We contributed over £392 million to help those in need. Of this, just under £381 million is to support vulnerable customers through mandatory programmes. Our people volunteered more than 48,000 hours.

We continued to train people at the British Gas Green Skills Centre in Wales and to support businesses through our partner, the Social Business Trust. We also pledged our support to Step Up 2 Serve which seeks to get businesses more involved in providing opportunities for young people.

Around 0.3% of our employees operate in countries with a high risk to human rights. Despite this small footprint, we are steadfast in our commitment to respecting human rights as set out in our Business Principles and Human Rights Policy.

Responsibility in more detail

See the Operating Reviews on pages 18, 26 and 32 for further information

See the Summary Corporate Governance Report on page 54 for more information on employee diversity

A summary of our engagement with stakeholders is available online at centrica.com/cr

Safeguarding the environment

Managing environmental impacts is integral to the way we run our business.

Reducing carbon emissions in our operations

Most of the emissions we produce come from our power stations. These emissions will be reduced over time as the UK shifts to lower carbon power generation. Reducing these emissions must be balanced with the need to maintain affordable and secure energy supplies. We believe gas has a central role to play for a cost-effective transition to a low carbon future.

We monitor the carbon intensity of the power we generate, which in 2013 was 200gCO_2/kWh (2012: 200gCO_2/kWh). Our 2020 target is 260gCO_2/kWh. This represents a 40% reduction on intensity levels in 2008, whilst reflecting increased demand for gas generation. We are on course to meet the target.

We are most able to control CO_2 emissions from our property, fleet and travel. We have achieved a 19% reduction in these emissions against our target of a 20% reduction by the end of 2015 (from a 2007 baseline) in our core businesses.

Helping our customers reduce their carbon emissions

Emissions associated with our customers' use of energy remains significantly larger than our own direct carbon footprint. Since 2010, the products we installed in UK customer homes and businesses (such as boilers and insulation) saved around 9.8mtCO_2e – equivalent to taking 668,000 cars off the road. In 2013, we installed energy efficiency measures that will achieve a total lifetime carbon saving of 5.1 million tonnes.

Protecting biodiversity, air, land and water quality

We have systems in place at site level to assess and manage these impacts. In 2013, we contributed to research to help catalogue basking sharks near wind farm projects in the Irish Sea Zone. We also developed our operating principles for onshore natural gas exploration and extraction, providing a framework for protecting biodiversity and communities in an open and transparent way.

Reporting greenhouse gas emissions

We report our greenhouse gas (GHG) emissions each year, most extensively in our online data centre. We have expanded the detail in this report to reflect new reporting requirements.

In 2013, our group carbon intensity based on revenue was 269tCO_2e/£m, down from 298tCO_2e/£m in 2012. Our total carbon emissions (Scope 1 and 2 emissions) increased slightly to 7,146,412tCO_2e from 7,128,491tCO_2e in 2012. Our Scope 1 emissions were 7,031,658tCO_2e in 2013, compared to 7,008,906tCO_2e in 2012, covering emissions from power stations, upstream production, offices and fleet. Our Scope 2 emissions were 114,753tCO_2e in 2013, compared to 119,585tCO_2e in 2012 including emissions from electricity we purchase for use.

We report on an equity basis with practices combined from WRI/WBCSD Greenhouse Gas Protocol, IPIECA's Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions and DEFRA's Environmental Reporting Guidelines. See the Basis of Reporting at centrica.com/CRassurance for more details.

Working with our partners

Collaborating closely with partners helps us tackle social and environmental impacts.

Embedding responsible practices in our supply chain and with our partners

We work with suppliers to understand and manage social and environmental risks in our supply chain. In 2013, we introduced a risk management system to help manage social and environmental risks in our supply chain. We have assessed over 70 strategic suppliers in 2013. Collectively, their risk score was 49 (low risk), better than a multi-industry average of 41 (medium risk). We will continue to assess suppliers and work with those who need to improve. We also held supplier forums to foster collaboration and share best practices.

Embracing new technologies and sources of supply to maintain energy security for our customers

Maintaining secure sources of energy for our customers is a core deliverable for our business and particularly critical in the UK which is increasingly dependent on imported gas. We are collaborating with partners to explore new onshore sources of gas in the UK and we are piloting ways to reduce demand on the electricity grid through an initiative known as the Customer Led Network Revolution (CLNR). For example, we have piloted time-of-use tariffs that offer cheaper energy at certain times. Participating customers used 3% less energy overall and there was a 10% reduction in energy demand at peak times.

Collaborating with our wider stakeholder groups

We engage with stakeholders in a variety of ways, from daily interactions to formal committees. Our Corporate Responsibility Advisory Group met three times in 2013, advising on our smart grids, shale gas, business ethics and community investment activities. We also held multi-stakeholder forums to gain insights on the development of our four CR themes and corporate responsibility reporting.

British Gas continued its work with strategic partner Shelter, jointly campaigning to raise standards in the private rented sector. British Gas Business also continued to run their Engagement Panel in 2013 with over 350 enterprise and corporate customers providing feedback.

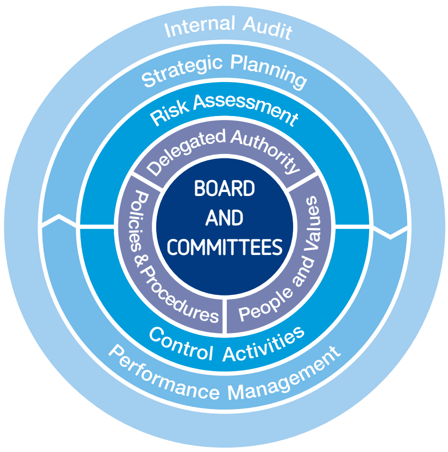
Principal Risks and Uncertainties

"We are operating in a challenging environment where levels of trust between the UK energy sector and society have fallen steeply. To help restore that trust, and in doing so help to ensure the successful implementation of our strategic priorities, we must continue to focus on the principal risks that affect our business and make effective decisions based on our assessment of those risks."

NICK LUFF
Group Finance Director

GOVERNANCE, RISK AND CONTROL

The Board is responsible for the Group's system of internal control and risk management and considers this to be fundamental to the achievement of our strategic priorities. The following diagram shows some of the key elements in the governance, risk and control framework by which our operations are conducted. The work of the Board and its Committees is at the heart of the process. They set objectives, performance targets and policies designed to achieve a balanced and transparent assessment of the risks facing our operations and to measure the effectiveness of the key controls in place to manage them. The work of the Board is underpinned by clear delegations of authority, effective policies and procedures covering key areas of our operation together with a set of Business Principles and processes, which are communicated to our employees.



We have processes in place for identifying, evaluating and managing the key risks to the achievement of our strategic objectives. These processes are reinforced through regular performance management and are subject to internal and external review, identifying areas where we can further enhance our risk management activities. They also provide us with an independent and impartial assessment of the effectiveness of the control framework in place to govern our operations.

As with any such system, the processes are designed to manage rather than eliminate the risk of failure to achieve the objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Details of our principal risks and uncertainties are set out in pages 44 to 48 of the Strategic Report.

Improvements in 2013

Throughout 2013 we continued to develop the integrated approach to our risk and assurance activities. Specifically the following improvements were implemented:

- refresh of our risk management policy, guidelines and assessment matrices and the introduction of a separate risk standards document;
- the Group Control Standards have been embedded in our self-certification process, which underpins our overall review of the system of internal control;
- development of software to support both risk and control processes;
- development of risk training materials to drive consistency and knowledge sharing;
- improved interaction with specialist risk committees, such as Legal & Regulatory Compliance and Health, Safety & Environment, which improves visibility and enables a more consistent approach to risk identification; and
- a review of and improved resourcing in a number of second line of defence functions.

Improvements for 2014

The Financial Reporting Council is proposing to replace their existing Internal Control: Guidance for Directors (2005) and Going Concern and Liquidity Risk: Guidance for Directors (2009) with one set of integrated guidance. Any proposed changes or additions to the code will require us to formulate a programme of work to ensure compliance, which will form the basis for a proportion of our improvement activity during 2014. Outside of this, we will continue to improve our risk management processes with a number of initiatives, including:

- implementation and roll-out of risk management software to help improve risk identification and drive consistency; and,
- delivering risk management training to help ensure a consistent approach in embedding our risk practices through the business as well as educating employees on the importance of this discipline.

Group risk governance structure

Group Risk Management Committee

The Group Risk Management Committee (GRMC) plays a pivotal role in the governance of risks. Each of our business units has a Business Risk Management Committee or equivalent management committee whose role is to evaluate, report and advise on material risks and to consider the adequacy of controls and the actions planned to mitigate those risks. The most material risks are then reported to the GRMC so that it has a clear understanding of our aggregate risk profile and can ensure that control processes are in place for the monitoring and management of significant risks. The GRMC is chaired by the Chief Executive and membership reflects that of the Executive Committee. In 2013, the GRMC met four times.

Group Financial Risk Management Committee

A separate specialised process to manage financial risks is also required to achieve adequate levels of control. The role of the Group Financial Risk Management Committee (GFRMC) is therefore to focus specifically on financial risks as part of the overall risk management profile.

Additional monitoring of our financial risks (market, credit, liquidity risks and operational risks within the trading operations) is performed by local Financial Risk Management Committees covering Europe and North America. Material financial risk exposures are then reported to the GFRMC for consideration. The GFRMC also monitors the design and implementation of financial risk policies and compliance with Group-wide financial risk limits and appetite. Quarterly overviews of the GFRMC's activities are provided to the GRMC.

The GFRMC is chaired by the Group Finance Director and membership comprises senior finance and risk personnel. The GFRMC met 16 times in 2013.

Centrica Controls Board

The Centrica Controls Board (CCB), whose members are the Group Finance Director, the Director of Corporate Finance, the Head of Risk, Control & Audit and finance directors for each business unit, is responsible for ensuring that appropriate internal controls are in place over key operational and financial reporting processes and related IT systems. The CCB met three times in 2013 and is chaired by the Group Finance Director. The responsibilities of the CCB are discharged through the Centrica Controls Steering Group (CCSG) and the Information Risk Steering Group (IRSG).

The CCSG monitors the risks and associated controls over financial reporting processes, including the process by which our Group Financial Statements are prepared for publication (the consolidation process). The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. Effectiveness is assessed through ongoing self-assessment and independent testing of the controls. The CCSG met three times during 2013 and is chaired by the Group Head of Financial Controls.

The IRSG monitors our information systems control environment, providing robust challenge to the business units to ensure that information systems' risk management remains effective and appropriate. It is also responsible for monitoring the progress of key information security projects. The IRSG met three times during 2013 and is chaired by the Group Head of Information Risk.

Executive Committee and Audit Committee

Our material risks are reported to the Executive Committee via the GRMC. In addition, the Executive Committee regularly undertakes in depth reviews of specific risks as appropriate.

At each of its meetings in 2013 the Audit Committee received a risk update as part of an overall integrated assurance report, which provided an assessment of the key risks facing the Company and the adequacy of the associated controls. In addition, the Audit Committee assessed the activity of the Group internal audit function including details of findings from reviews conducted against a plan which is approved annually by the Audit Committee. These reports, supplemented by management presentations and discussion with the Audit Committee, enable it to track issues, monitor performance and ensure that necessary action is taken to remedy any significant failings or weaknesses identified.

The Company is also aware that the integrity and reputation of our public financial reporting is of utmost importance. In addition to the controls described above, there are a number of further processes and steps to provide assurance over the completeness and accuracy of our public financial reporting, including:

- review by members of the Executive Committee;
- verification exercises;
- review and recommendation by the Audit Committee; and
- review and approval by the Board.

Centrica Storage and other Group companies

Centrica Storage Limited, which is subject to undertakings given to the UK Secretary of State for Business, Innovation and Skills, operates separately but to the same standards of internal control and risk management as the rest of the Group. The internal control and risk management processes of newly acquired companies are also integrated with those of the Group.

The Board's review of the system of internal control

Each year, an extensive process of self-certification operates throughout the Group whereby the effectiveness of internal controls and compliance with Group Business Principles and policies are assessed. In 2013, the self-certification was completed both at the half year and full year. During the year, the self-certification process was enhanced to include requirements to perform more detailed assessments to comply with the Group Control Standards. The results of the annual process, together with the conclusions of the internal reviews by Internal Audit, inform the annual assessment performed by the Audit Committee.

The Board, with the advice of the Audit Committee, has reviewed the effectiveness of the system of internal control, for the period from 1 January 2013 to the date of this report and is satisfied that the Group complies with the Turnbull Guidance. The Board will continue to routinely challenge management in order to ensure that the system of internal control is constantly improving and remains fit for purpose.

The following risks could impact our future performance. The list is not exhaustive and items are not prioritised. The list, and the nature of the risks, may change during the year.

Commodity costs

Strategic priorities

Integrate

Increase

Risk climate

→

What are the risks?

A significant proportion of our profitability and price competitiveness is dependent upon our ability to manage exposure to increasingly volatile world energy markets including wholesale commodity prices for gas, oil, coal, carbon and power.

The price of gas in the UK market is particularly important for us given that we supply a significant proportion of Britain's gas needs. This position sets us apart from the other counterparts in the UK market; however, we produce less gas from our own resources than we require to meet the demand from the markets we serve. As the country secures an increasing proportion of gas from abroad, its price and availability will be increasingly shaped by international forces.

Shale gas has already transformed the US energy market where an immediate effect has been to lower wholesale gas prices and weaken the traditional links between gas and oil prices. The low cost of natural gas may present new risks to us as barriers to entry are lowered and margins tightened requiring cost-efficiency and the development of innovative products to support them.

Seasonal variations and, in the short to medium term, economic conditions both in Europe and globally, make it difficult to forecast future energy demand, leading to significant uncertainties around commodity prices and the potential to leave us with a surplus of gas, which would have to be sold back to the wholesale market at a loss.

Longer-term commodity price increases or decreases may require us to change the price at which we sell energy. We may not be able to pass through all increases in commodity prices to customers. If we do pass increased commodity prices on, or fail to pass on decreased commodity prices, those customers may seek to switch to competitors.

Commodity price decreases may also reduce upstream gas and oil production profits and over the longer term may make certain exploration and development projects uneconomic. In addition, investment decisions (particularly in respect of upstream assets) are based upon evaluations underpinned by forecasts of longer-term commodity price development. Assets, including goodwill, may be impaired if discounted future cash flows from such assets are insufficient to cover their cost on the balance sheet.

If we are unable to successfully manage our exposure to fluctuating commodity prices, our competitive position could be negatively impacted and our business, financial condition, reputation and results of operations could be adversely affected.

The Group also incurs liabilities and costs associated with the decommissioning of oil, gas and storage fields. Decommissioning costs could exceed the Group's estimated costs and we may be required to provide greater security for these costs than expected, which could have a material adverse effect on our overall financial condition.

How do we manage these risks?

- We have an active hedging programme and track supplier risks through robust governance frameworks to ensure an affordable security of supply.
- Strategic investment decisions are made within a capital allocation framework designed to ensure that proposals are rigorously evaluated prior to acquisition and that they meet Board-approved financial criteria over the lifetime of the project.
- We continue to selectively invest in assets around our existing hubs, while managing costs, looking to divest non-core assets, delivering new projects and purchasing stakes in other assets.
- The gas supply relationships with Statoil and Gazprom and the new gas agreements signed with Cheniere and Qatargas to import LNG, as well as the purchase of additional assets such as the Canadian gas and oil assets from Suncor, are examples of how we continue to develop our portfolio, support North American downstream operations through contractual arrangements rather than asset ownership and make progress accessing new markets and securing new sources of gas.
- The Group's estimates of the cost of decommissioning are reviewed periodically and are based on proven and probable reserves, price levels, the general economic performance of each asset and decommissioning technology.

Arrows show risk climate

→ No change

↑ Risk has increased

Political and regulatory intervention

Strategic priorities

Innovate

Risk climate

↑

What are the risks?

The markets in which we operate are already subject to detailed legislation and regulation across different jurisdictions. This complex structure is continually evolving and any changes or uncertainty, or ineffective or incomplete implementation of any new obligations could adversely affect our current market operations and have adverse consequences on the viability of investment in new technologies and the development of assets. Any failure or perceived failure by us to comply with such developments or related requirements could have a negative impact on our brands, operations and reputation.

The energy industry and markets expect to be subject to increased political scrutiny in the lead-up to the 2015 UK general election. This could result in manifesto pledges that do not translate well into considered policy which in turn could result in sharp fluctuations in investor confidence, an increase in the cost of capital and a reduction in the credit worthiness of energy buyers due to the uncertainty this creates.

In the event that Scotland was to become independent following the referendum, some of our upstream assets could be subject to a new fiscal regime. Our downstream businesses could also be subject to policy and regulatory decisions of an independent Scotland. While the outcome and impact of this referendum remains uncertain, this could have impacts on our operational and financial results.

Any failure to follow our Group Business Principles of operating professionally, fairly and with integrity, or the public perception that there has been such a failure or other real or perceived failures of governance or regulatory compliance, could further undermine public trust in our business. This could lead to increased political and regulatory intervention, harm our reputation, damage our consumer brands and adversely affect investor confidence, our business, results of operations and overall financial condition.

How do we manage these risks?

- Our Group Business Principles, policy framework and corporate responsibility framework govern how we conduct our affairs.
- We proactively engage with our stakeholders, including government, legislators and regulators in order to shape proposals and manage risks.
- Our Corporate Responsibility and supply chain teams work closely with each part of our business to set and implement policy, strengthen internal processes and responsible procurement throughout our third party contracts.

Health, safety, environment and security (HSES)

Strategic priorities

Innovate

Risk climate

→

What are the risks?

There are inherent hazards in our operations, in particular those relating to oil and gas exploration, production, transportation and storage and power generation. This includes non-controlled interests in organisations with which we contract. The management of these assets is also subject to various laws and regulations.

In addition, our engineers visit customer premises to undertake essential repair and maintenance work on gas and electrical installations, appliances and plumbing and drain services.

Security events such as malicious attacks, criminal or activist activity can also cause disruption to our operations.

Failure to manage risks arising from these operations could result in major injuries and/or loss of life, to staff, contractors and/or members of the public, significant disruption to production or services, damage to our reputation, environmental damage and loss of shareholder value. The cost related to the recovery, clean up and/or resultant litigation could have a material financial impact.

Further information can be found in our Corporate Responsibility Review on page 39

How do we manage these risks?

- The management of HSES risk is overseen by the Board and Executive Committee and remains one of our core priorities with a continued focus across all our assets and operations.
- We undertake regular reviews and independent assessment of the processes in place to manage these risks to ensure they remain effective and continue to develop. This includes any third parties involved in our operations, building strong relationships and supporting local communities we work within. We also continue to invest in training to ensure we maintain safe operating practices in both our upstream and downstream businesses.
- Security intelligence and operating procedures, crisis management and business continuity plans are regularly evaluated and tested to provide assurance to the Board that we are capable of responding positively to any events.

Principal Risks and Uncertainties continued

Strategic growth

Strategic priorities

Innovate

Integrate

Increase

Risk climate

What are the risks?

Despite positive signs of recovery in the US and the UK, uncertainty remains in the global economy and economic and market headwinds impact many parts of our business.

In the US, rising consumer confidence is tempered by concerns about the Federal Government debt ceiling. Tightening conditions in our retail markets are also putting pressure on energy margins and, in a low and less volatile price environment, the successful delivery of sales targets will be challenging. Growth in our North American downstream business will also be dependent in part on the successful integration of the Hess Energy Marketing business.

In the UK, signs of economic recovery notwithstanding, levels of disposable income continue to decline and our markets face potential pressures in the run-up to the next general election.

Recent announcements across UK political parties have exacerbated significant uncertainty in the UK energy landscape across power generation, gas storage and energy supply. This could impact future power, storage and upstream investment and targets, reduce the attractiveness of the UK energy supply business and impede the economic viability of proposed initiatives.

A number of emerging technologies and innovations have the potential to be disruptive to our business. In our upstream business, we face competition in developing and applying new technology to maximise recovery. We have to make unconventional sources of oil and gas economic as well as generating power through low carbon solutions.

Downstream, UK gas demand is forecast to continue to decline over the next decade with the emergence of smart and connected home solutions. Electricity demand is forecast to decline by a smaller amount or remain flat. The retail energy environment, reflecting higher commodity and non-commodity costs, is highly competitive across residential and business segments as well as energy services, including new business areas, such as smart enabled applications.

As digital media, the internet and mobile devices play a greater role in the retail energy business sector, we could see heightened competitive pressures resulting from falling barriers to market entry and swiftly changing customer loyalties as existing energy and other service providers, such as insurance companies, telecom companies, supermarkets and other large retail companies enter the services market and seek to strengthen their positions.

Climate change, new technologies and global economic conditions may be subject to circumstances beyond our control resulting in an adverse impact on our strategic growth and investment. All such effects could fail to create shareholder value, meet shareholder expectations and ultimately lead to a loss of investor confidence and a decline in the share price.

How do we manage these risks?

- We continue to pursue a range of investment options across the energy chain and in different geographies to both deepen our customer relationships and secure the Group's future energy requirements.
- We face competition in each of our businesses and therefore seek to grow demand for our offerings and differentiate our propositions accordingly.
- We continue to seek cost-efficiency through innovation and investment in systems, positioning ourselves to deliver targets whilst maintaining a stable platform for investment.
- Smart meters, personalised customer energy usage reports, smart tariffs and applications for remote heating control in UK residential and business markets, alongside the acquisition of a leading internet-based digital platform in our North American services offering, has allowed us to create greater visibility and control over energy use through continued development of smart and connected home solutions.

Trust and perception

Strategic priorities

Innovate

Risk climate

↑

What are the risks?

The energy sector in the UK is currently the subject of unprecedented public and political debate and scrutiny against a backdrop of declining disposable income for many customers. This is not only raising concern for our customers but also damaging investor confidence, increasing the prospect of potential further government or regulatory intervention in our operating markets at a time when substantial investment is required to secure supplies of energy for the UK in the long term.

The positions taken by political parties and the media in the run-up to the 2015 UK general election could also lead to further uncertainty, as the consensus that existed between them over key questions of energy policy has broken down.

Hydraulic fracturing in the UK could cause further adverse publicity as we explore opportunities for unconventional energy supply and generation as part of our business strategy.

Customers could also leave if they experience unacceptable customer service levels or if it is perceived that we are failing to maintain service quality. This risk could be exacerbated in the current environment where trust in the industry is at an all-time low.

The increased use of social media allows customers and consumer groups to engage in direct action and other campaigns more readily than before. Any failure to restore trust in the energy industry and markets could lead to campaigns for corporate change through specific resolutions to direct the Company in a particular manner.

How do we manage these risks?

- We are working to deliver a fair, simplified and transparent deal to consumers and protect the most vulnerable, fuel-poor households through initiatives to improve energy efficiency or with financial advice and aid.
- We engage with NGOs, consumer and customer groups, political parties, regulators and other stakeholders to understand their views and concerns, working together to identify solutions, help minimise the impact of higher costs on bills and improve transparency to help restore trust in the industry.
- We actively manage our reputation with a number of different stakeholders including customers, investors, opinion-formers, employees, the media, governments and government agencies, other political parties and regulatory and trade union bodies.

Further information can be found in our International Downstream Operating Review and Corporate Responsibility Review on pages 18 and 39 respectively

People

Strategic priorities

Innovate

Increase

Risk climate

↑

What are the risks?

Cultural and behavioural transformation, ambitious technical-change programmes, changes to our current structure (including the departure of senior Group personnel) and inadequate trade union relations could all have adverse consequences, including an impact on employee engagement. This may drive issues with attraction and retention not only for key roles but also in the wider operational workforce, as well as the threat of industrial action in our upstream business operations and engineering workforce in both the UK and North America.

Any failure in high calibre attraction, retention and succession planning for key roles could cause business disruption and damage investor confidence, which could impact the delivery of the Group's strategy and growth aspirations. Insufficient capability, capacity and strategy in this area could limit our ability to exploit opportunities and/or realise the full value of investments, erode shareholder value, impact the effectiveness of merger and acquisition integration and harm the employer brand impacting our ability to attract and retain key staff.

How do we manage these risks?

- We continue to evolve a clearly defined people strategy based on culture and engagement, talent development, training and reward and recognition, for the ongoing success of our business through regular reviews of organisational capability, critical business areas, reward strategies for key skills, talent management and learning, development programmes and external benchmarking. We also have processes in place during merger and acquisition integration activity to ensure the retention of key roles and complementary talent.
- We engage with trade unions on restructuring and issues that could impact terms and conditions with clear and open processes to promote an environment of trust and honesty. Additionally, we provide channels for employees to discuss concerns and regularly review the procedures in place to support and encourage whistleblowing.

Principal Risks and Uncertainties continued

Information security

Strategic priorities

Innovate

Increase

Risk climate

→

What are the risks?

Our business operations rely on effective and secure information systems containing a high degree of confidentiality, integrity and availability.

Corporate, governmental and other organisations are targets for malicious and unauthorised attempts to access information systems. Our business could be compromised by an incident resulting in the accidental or deliberate exposure of sensitive data, viral effect of social media channels, inadvertent or deliberate changes to information we are dependent on, disruptions to business continuity and an online attack that results in loss or exposure of confidential data, intellectual property or control systems.

Such events could seriously affect our reputation, lead to legal action and/or outages that could cause financial and operational loss. The US and EU data privacy proposals increase the implications of such risks materialising, due to requirements around public notification of any data breach and the scale of associated fines for non-compliance.

How do we manage these risks?

- We seek to detect and investigate all incidents, aiming to prevent any repetition and regularly interrogate the adequacy of our infrastructure, IT security controls and data-recovery processes.
- Our information security strategy seeks to integrate information, personnel and physical aspects overseen by a risk group from across our business. Collaborative working groups are also in place across the industry and wider. These measures allow for controls and responses to be put in place that are both effective and proportionate, whilst recognising the evolving environment they are situated within.

Change management

Strategic priorities

Innovate

Integrate

Increase

Risk climate

→

What are the risks?

The successful delivery of business change is fundamental to our future success and includes organisational, cultural and technical transformation. Any failure to manage change successfully can adversely affect operational objectives, strategic growth, investor confidence and cause financial loss.

The delivery of certain technical change programmes is large and complex. Trying to deliver too much change could result in a stretch on resources, undermine system integrity and threaten business continuity, cost more or take longer than estimated to implement. Change programmes could also suffer from quality and safety issues and/or the planned benefits might not be realised.

The scale of change in our International Downstream business could adversely affect our operations, reputation and financial position if not successfully delivered. Changes to billing systems and the implementation of smart and connected home targets in the UK and the successful integration of the Hess Energy Marketing business in North America all need to be managed correctly if we are to achieve expected synergies, continue to improve our customer service levels and engage in new markets.

As we grow, structures are regularly reviewed to ensure that activities are organised in an effective and efficient way, to keep our cost base as low as possible. These changes can involve difficult decisions for our employees and there is a risk that industrial relations could worsen.

How do we manage these risks?

- Change activity is managed through a combination of project/programme boards and regular review at both a business unit and executive level. We will be increasingly selective in our investments, directing capital towards the projects offering the most attractive returns with the lowest political risk. We also have a dedicated project management directorate to improve governance of large capital change programmes undertaken in our upstream business.
- We continue to focus on attracting and retaining talented employees to ensure the successful delivery of our objectives.

The Strategic Report was approved by a duly authorised Committee of the Board of Directors on 20 February 2014 and signed on its behalf by:

GRANT DAWSON
General Counsel & Company Secretary
20 February 2014

Independent Auditors' Statement

to the members of Centrica plc

We have examined the Summary Financial Statements included within the Annual Review for the year ended 31 December 2013, which comprises the Summary Group Income Statement, the Summary Group Balance Sheet, the Summary Group Changes in Equity and the Summary Group Cash Flow Statement as at 31 December 2013.

Respective responsibilities of the Directors and the Auditors

The Directors are responsible for preparing the Annual Review in accordance with the Companies Act 2006, which includes information extracted from the full Annual Financial Statements and the auditable part of the Directors' Remuneration Report of Centrica plc for the year ended 31 December 2013.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statements, included within the Annual Review, with those full Annual Financial Statements and the auditable part of the Directors' Remuneration Report.

This statement, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

Our examination involved agreeing the balances disclosed in the Summary Financial Statements to the full Annual Financial Statements. Our audit report on the Company's full Annual Financial Statements and the auditable part of the Directors' Remuneration Report describes the basis of our opinion on those Financial Statements and the auditable part of that Report.

Opinion

In our opinion, the Summary Financial Statements are consistent with the full Annual Financial Statements and the auditable part of the Directors' Remuneration Report of Centrica plc for the year ended 31 December 2013.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 20 February 2014

Summary Group Income Statement

Year ended 31 December	2013 Business performance £m	2013 Exceptional items and certain re-measurements £m	2013 Results for the year £m	2012 Business performance £m	2012 Exceptional items and certain re-measurements £m	2012 Results for the year £m
Group revenue	**26,571**	**–**	**26,571**	23,942	–	23,942
Cost of sales before exceptional items and certain re-measurements	**(21,464)**	**–**	**(21,464)**	(18,840)	–	(18,840)
Exceptional items	**–**	**(125)**	**(125)**	–	(89)	(89)
Re-measurement of energy contracts	**–**	**413**	**413**	–	603	603
Gross profit	**5,107**	**288**	**5,395**	5,102	514	5,616
Operating costs before exceptional items	**(2,735)**	**–**	**(2,735)**	(2,680)	–	(2,680)
Exceptional items	**–**	**(939)**	**(939)**	–	(445)	(445)
Share of profits/(losses) of joint ventures and associates, net of interest and taxation	**146**	**25**	**171**	140	(6)	134
Group operating profit	**2,518**	**(626)**	**1,892**	2,562	63	2,625
Net finance cost	**(243)**	**–**	**(243)**	(209)	–	(209)
Profit before taxation	**2,275**	**(626)**	**1,649**	2,353	63	2,416
Taxation on profit	**(942)**	**243**	**(699)**	(1,031)	(140)	(1,171)
Profit for the year	**1,333**	**(383)**	**950**	1,322	(77)	1,245

Earnings per ordinary share	2013 Pence	2012 Pence
Basic	**18.4**	24.0
Diluted	**18.3**	23.9
Interim dividend paid per ordinary share	**4.92**	4.62
Final dividend proposed per ordinary share	**12.08**	11.78

	2013 £000	2012 £000
Directors' emoluments	**7,707**	9,138

Summary Group Balance Sheet

31 December	2013 £m	2012 £m
Non-current assets	**15,717**	15,812
Current assets	**7,428**	6,140
Assets of disposal groups classified as held for sale	**301**	–
Current liabilities	**(7,898)**	(6,586)
Net current liabilities	**(470)**	(446)
Non-current liabilities	**(10,192)**	(9,439)
Liabilities of disposal groups classified as held for sale	**(99)**	–
Net assets	**5,257**	5,927
Total shareholders' equity and non-controlling interests	**5,257**	5,927

Summary Group Statement of Changes in Equity

	2013 £m	2012 £m
1 January	**5,927**	5,600
Profit for the year	**950**	1,245
Other comprehensive loss	**(360)**	(168)
	6,517	6,677
Employee share schemes	**57**	66
Purchase of treasury shares	**(502)**	–
Dividends	**(864)**	(816)
Taxation	**(16)**	(1)
Exchange adjustments	**–**	1
Non-controlling interests	**65**	–
31 December	**5,257**	5,927

Summary Group Cash Flow Statement

31 December	2013 £m	2012 £m
Cash generated from operations	**4,056**	3,610
Taxation and other operating cash flows	**(1,116)**	(790)
Net cash flow from operating activities	**2,940**	2,820
Net cash flow from investing activities	**(2,351)**	(2,558)
Net cash flow from financing activities	**(791)**	190
Net (decrease)/increase in cash and cash equivalents	**(202)**	452
Cash and cash equivalents at 1 January	**931**	479
Effect of foreign exchange rate changes	**(10)**	–
Cash and cash equivalents at 31 December	**719**	931

The Summary Financial Statements on pages 50 and 51 were approved and authorised for issue by the Board of Directors on 20 February 2014 and were signed on its behalf by:

SAM LAIDLAW
Chief Executive

NICK LUFF
Group Finance Director

Board of Directors and Senior Executives

BOARD OF DIRECTORS

1. Rick Haythornthwaite

Chairman

Appointed as a Non-Executive Director on 14 October 2013 and as Chairman with effect from 1 January 2014.
Committee membership: N (Chairman), R
Skills and experience: Rick has a wealth of knowledge in the energy industry. He has significant board experience, both as an executive and non-executive. He led the rescue of Invensys from 2001 to 2005 and the defence, turnaround and subsequent sale of Blue Circle Industries from 1997 to 2001. He spent his early career in various corporate, upstream and leadership positions in BP from 1978 to 1995, including exploration and production roles in the North Sea, Alaska, France and Venezuela before moving to Premier Oil as commercial director from 1995 to 1997. He has served on the boards of Network Rail as chairman and Cookson, Lafarge, ICI and Land Securities as non-executive director.
External appointments: Chairman of the global board of MasterCard Inc and PSI, a private fund. Chairman of the Southbank Centre in London and the World Wide Web Foundation.

2. Sam Laidlaw

Chief Executive

Appointed to the Board on 1 July 2006.
Committee membership: CR, E (Chairman), D (Chairman)
Skills and experience: Sam has an invaluable combination of upstream and downstream expertise, a very considerable reputation for managing a large-scale global energy business and a proven record of creating shareholder value. Prior to joining Centrica, Sam was an executive vice president of the Chevron Corporation, chief executive officer at Enterprise Oil and president and chief operating officer at Amerada Hess. Until the end of 2012, Sam was a member of the UK Prime Minister's Business Advisory Group.
External appointments: Non-executive director of HSBC Holdings plc, lead non-executive director on the board of the Department for Transport and trustee of the medical charity RAFT.

3. Margherita Della Valle

Non-Executive Director

Appointed as Non-Executive Director on 1 January 2011; Chairman of the Audit Committee with effect from 1 July 2013.
Committee membership: A (Chairman), CR, N, R
Skills and experience: Margherita brings considerable corporate finance and accounting experience and she has a sound background in marketing. She was chief financial officer for Vodafone's European region from April 2007 to October 2010 and chief financial officer of Vodafone Italy from 2004 to 2007. Previously she joined Omnitel Pronto Italia in Italy in 1994 and held various consumer marketing positions in business analytics and customer base management prior to moving to finance. Omnitel was acquired by Vodafone Group in 2000.
External appointments: Group financial controller of Vodafone Group plc.

4. Mary Francis CBE

Senior Independent Director

Appointed as Non-Executive Director on 22 June 2004; Senior Independent Director with effect from 19 May 2006; Chairman of the Corporate Responsibility Committee with effect from 1 March 2006. Mary will step down from the Board by no later than 31 December 2014.
Committee membership: A, CR (Chairman), N (Deputy Chairman), R
Skills and experience: Our longest serving Non-Executive Director, Mary has extensive knowledge of corporate business and has held a variety of senior positions. Mary is a former non-executive director of Aviva plc, Cable & Wireless Communications Plc, the Bank of England, Alliance & Leicester plc and St. Modwen Properties plc. She is a former director general of the Association of British Insurers, a former senior civil servant in the Treasury and the Prime Minister's Office and former chair of governors of James Allen's Girls' School.
External appointments: Director of Swiss Reinsurance Company Ltd, non-executive director of Swiss Re Group, non-executive director of Ensco plc and senior adviser to Chatham House.

5. Mark Hanafin

Managing Director, International Upstream

Appointed to the Board on 14 July 2008.
Committee membership: E
Skills and experience: Mark has excellent midstream and trading credentials as well as a strong track record in developing supply and marketing businesses. Before joining Centrica, Mark spent 21 years with Royal Dutch Shell, most recently as CEO of Shell Energy North America in Houston. Prior to joining Shell, he worked for General Electric Company (GEC) having qualified as a chartered engineer.
External appointments: Non-executive director of EDF Energy Nuclear Generation Group Limited.

6. Lesley Knox

Non-Executive Director

Appointed as Non-Executive Director on 1 January 2012; Chairman of the Remuneration Committee with effect from 1 January 2012.
Committee membership: A, N, R (Chairman)
Skills and experience: Lesley brings a wealth of strategic and financial experience across a range of businesses to the Board and she is an experienced remuneration committee chair. She was previously with British Linen Bank in 1997, becoming governor in 1999 and was subsequently a founder director of British Linen Advisers from 1999 to 2003. She was senior non-executive director of Hays Plc and also spent 15 years with Kleinwort Benson from 1981 to 1996, first in corporate finance and then as chief executive of the institutional asset management business.
External appointments: Non-executive director of SABMiller Plc, trustee of the Grosvenor Estates and chairman of Grosvenor Group Limited.

Committee membership key

A – Audit
CR – Corporate Responsibility
D – Disclosure
E – Executive
N – Nominations
R – Remuneration

Past Directors

14. Sir Roger Carr stepped down as Chairman of the Board on 31 December 2013.
15. Phil Bentley stepped down as Managing Director, British Gas on 30 June 2013.
16. Andrew Mackenzie stepped down as a Non-Executive Director on 10 May 2013.

7. Mike Linn

Non-Executive Director

Appointed as Non-Executive Director on 1 June 2013.
Committee membership: A, N, R
Skills and experience: Mike has considerable experience in the energy sector, particularly exploration and production and the US market. He founded and was previously chairman, CEO and president of LINN Energy, LLC. He was formerly president of Allegheny Interests and president and CEO of Meridian Exploration Company, Pittsburgh. He was the former chairman of the Independent Petroleum Association of America and was the Texas representative for the Legal and Regulatory Affairs Committee of the Interstate Oil and Gas Compact Commission. He was former president of the Independent Oil and Gas Association of New York, president of the Independent Oil and Gas Association of Pennsylvania and president of the Independent Oil and Gas Association of West Virginia.
External appointments: Non-executive director of LINN Energy, LLC, non-executive board member of Nabors Industries, Black Stone Minerals and Western Refining Logistics and senior advisor to Quantum Energy Partners. Member of the National Petroleum Council and inducted into the All American Wildcatters.

8. Nick Luff

Group Finance Director

Appointed to the Board on 1 March 2007, Nick submitted his resignation in January 2014 and will step down from the Board no later than 31 December 2014.
Committee membership: D, E
Skills and experience: Nick has a wealth of high level finance experience. Prior to joining Centrica, Nick was previously chief financial officer of The Peninsular & Oriental Steam Navigation Company (P&O) and held a number of other senior financial roles at P&O, having qualified as a chartered accountant at KPMG. Until December 2010 he was a non-executive director of QinetiQ Group plc.
External appointments: Non-executive director of Lloyds Banking Group plc.

9. Ian Meakins

Non-Executive Director

Appointed as Non-Executive Director on 1 October 2010.
Committee membership: A, N, R
Skills and experience: Ian has broad general management and board experience and considerable experience in managing businesses with strong brands. Ian is currently CEO of Wolseley plc and was, until April 2009, chief executive of Travelex Holdings Ltd, the international foreign exchange and payments business. Previously he was chief executive officer of Alliance UniChem plc until its merger with Boots in July 2006. Between 2000 and 2004, he was president, European Major Markets and Global Supply for Diageo plc, spending over 12 years with the company in a variety of international management positions.
External appointments: Group chief executive of Wolseley plc.

10. Paul Rayner

Non-Executive Director

Appointed as Non-Executive Director on 23 September 2004. Paul will step down from the Board no later than 31 December 2014 having stepped down as Chairman of the Audit Committee on 1 July 2013.
Committee membership: A, N, R
Skills and experience: Paul brings very considerable and wide-ranging international experience. He was finance director of British American Tobacco plc from 2002 until April 2008. In 1991 he joined Rothmans Holdings Limited in Australia, holding senior executive appointments, and became chief operating officer of British American Tobacco Australasia Limited in September 1999.
External appointments: Non-executive director and chairman of the remuneration committee of Qantas Airways Limited, non-executive director and chairman of the audit committee of Boral Limited, chairman and non-executive director of Treasury Wine Estates Limited.

11. Chris Weston

Managing Director, International Downstream

Appointed to the Board on 1 July 2009.
Committee membership: CR, E
Skills and experience: Chris brings extensive management expertise, with particular strengths in supply businesses and the US energy market. Prior to his appointment as Managing Director, International Downstream, Chris was Managing Director, North America from July 2009, Managing Director, British Gas Services from June 2005 and Managing Director, British Gas Business from January 2002. He joined Centrica in November 2001, following the acquisition of One Tel where he was the Managing Director of Europe. Previously, he worked for Cable & Wireless and also spent seven years in the army with the Royal Artillery.
External appointments: None.

SENIOR EXECUTIVES

12. Jill Shedden

Group Director, Human Resources

Appointed as Group Director, Human Resources: 1 July 2011.
Skills and experience: Jill was previously HR Director for Centrica Energy having joined British Gas plc as a graduate in 1988 and has since held a wide range of roles across the Group including HR Director for British Gas Business and British Gas Residential.

13. Grant Dawson

General Counsel & Company Secretary

Appointed as General Counsel & Company Secretary since the demerger from British Gas plc in February 1997 having joined British Gas in October 1996.
Skills and experience: Grant was called to the Bar in 1982, he spent most of his career in industry joining the legal department of Racal Electronics plc in 1984 and then STC plc as legal adviser in 1986 until they were taken over in 1991 by Northern Telecom Limited. Between 1991 and 1996 he was the Associate General Counsel for Nortel in Europe, Africa and the Middle East.

Summary Corporate Governance Report

ANNUAL REPORT

The Auditors have issued an unqualified report on the Annual Financial Statements and the auditable part of the Remuneration Report containing no statement under section 498 of the Companies Act 2006 (the Act). The Auditors' Report in respect of consistency between the Strategic Report and the Group Financial Statements is also unqualified. These Summary Financial Statements are a summary of the Annual Report and Accounts 2013 and the Summary Governance contains information from the Annual Report and Accounts but not the full text of that report. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group and of its policies and arrangements concerning the Directors' remuneration as would be provided by the Annual Report and Accounts 2013.

The Annual Report and Accounts 2013 can be downloaded from the Company's website at centrica.com or can be obtained, free of charge, from Equiniti, the Company's Registrars. Shareholders may also elect to receive the Annual Report and Accounts instead of the Annual Review for all future years. Contact details for Equiniti can be found on page 59.

DIVIDENDS

For 2013, an interim dividend of 4.92 pence per share was paid on 13 November 2013. The Directors propose that, subject to approval at the 2014 Annual General Meeting (AGM), a final dividend of 12.08 pence per share will be paid on 11 June 2014 to those shareholders registered on 25 April 2014. This would make a total dividend for the year of 17.00 pence per share (2012: 16.40 pence per share).

SUMMARY CORPORATE GOVERNANCE REPORT

The Board believes that good corporate governance contributes to Centrica's performance. A clearly defined framework of roles, responsibilities and delegated authorities is in place and this supports the Board's aim to deliver sustainable growth for the benefit of shareholders, employees and customers. A report on how the principles of the UK Corporate Governance Code (the Code) were applied is set out in the Corporate Governance Report in the Annual Report. Throughout the year, the Company complied with the provisions set out in the Code. During this period two of our Non-Executive Directors, Mary Francis and Paul Rayner completed their nine-year term of office, however, the Board has confirmed that they both remain independent and their continued membership of the Board is in the best interests of the Company. Further detail on their term of office is provided in the Corporate Governance Report in the Annual Report.

Board of Directors

The Directors consider that the Board leads and controls the Group effectively, has a robust governance structure and that no individual or small group of individuals dominate the Board's decision-making. The powers of the Directors are set out in the Company's Articles of Association (Articles), which are available on the Company's website. The Articles may be amended by special resolution. In addition, the Directors have responsibilities and duties under other legislation, in particular the Act.

The Board has a schedule of matters specifically reserved for its approval which is reviewed annually to ensure best practice. No changes were made in 2013. The full schedule is available on the Company's website. The Board operates six Committees to oversee the standards of the Group: Audit, Nominations, Remuneration, Corporate Responsibility, Executive and Disclosure. Each Committee is chaired professionally and rigorously and populated by an appropriate mix of Executive and Non-Executive Directors. The Board reviews each Committee's terms of reference and membership against best practice as well as taking into account any relevant changes in circumstances. In 2013, no changes were made to the terms of reference of the Board Committees. The roles and responsibilities for each of the Committees are set out in formal terms of reference which are approved by the Board and are available on our website.

Board appointments, evaluation and development

The Company's current approach to Board composition, diversity and succession planning is detailed in the Corporate Governance Report in the Annual Report. In accordance with the Code and the Articles, each Director shall stand for re-appointment at each AGM. Details of the Directors of the Company, including their biographies and their Board Committee memberships, are set out on pages 52 and 53. All new Directors appointed to the Board receive a comprehensive induction programme tailored to meet their individual needs. The Chairman and General Counsel & Company Secretary are responsible for delivering an effective induction programme for newly appointed Directors. Mike Linn and Rick Haythornthwaite, both recently appointed to the Board, discussed with the General Counsel & Company Secretary what briefings and meetings would be most beneficial to them to ensure an effective induction. As a result, tailored induction programmes were designed for both Mike Linn and Rick Haythornthwaite which included briefings from members of the Executive team on key areas of the business including the internal audit function, an overview of the Group's risk management processes, the key risks facing the business, site visits and a briefing in respect of the corporate governance framework within Centrica. Ongoing development and training is also provided to all Directors, as agreed with the Chairman, at Board and Committee meetings. During the year, Directors received regular updates and presentations on changes and developments to the business and to the legislative and regulatory environments in which the Group operates. In addition, the Directors visited Direct Energy's offices in Houston in September 2013 for presentations on the North American management priorities, performance, outlook and strategy and undertook site visits.

The Board considers the annual review of the Board, its Committees and Directors as an essential part of good corporate governance, with the use of an external facilitator at least once every three years. In December 2013, we conducted an internal Board evaluation involving a written questionnaire followed by discussion in order to evaluate the success of the changes made and identify points to be addressed in the next 12 months. The evaluation process and outcomes are described in the Corporate Governance Report in the Annual Report.

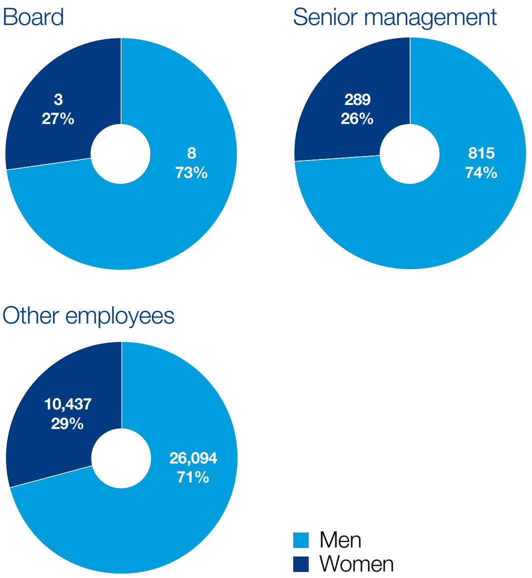
Diversity

Centrica is committed to the merits of diversity in all its forms at Board level and throughout the Group. Twenty-seven per cent of the Board are women. Centrica is committed to maintaining its current level of women on the Board and would increase the percentage if the skills, experience and knowledge of the individual were appropriate and in keeping with the business needs. An example of this is that as at 1 January 2014, 50% of the senior leadership team of British Gas are women.

Our employment policies and practices reflect a culture where decisions are based on individual ability and potential in relation to the business' needs. We are committed to ensuring individuals are treated in a non-discriminatory manner at all stages of their employment, including recruitment and selection, reward, training and development and promotion and career development.

At senior management level, 26% of this population are women, whilst 29% of employees excluding the Board and senior management are women as indicated in the charts below. Our senior management level includes categories of employees as defined in the Act. Centrica has various initiatives taking place relating to gender diversity. These include coaching and mentoring and the Pearls Programme which identified 25 women across the business to participate in a programme designed to deliver a unique environment for growth and learning. Also Centrica has partnered with the Women's Oil Council which is a business network in the oil and gas industry and is working with the Women's Business Council which makes recommendations to government and UK businesses on how women's contribution to growth can be optimised.

Breakdown by gender



Internal Control

The Board is responsible for the Group's system of internal control and risk management and considers this to be fundamental to the achievement of the Group's strategic objectives. The key function of the Audit Committee is to review the effectiveness of the Company's financial reporting and internal controls together with the procedures for the identification, assessment and reporting of risks. A full description of the Group's risk management and internal control is detailed in the Corporate Governance Report in the Annual Report.

The Board, with the advice of the Audit Committee, has reviewed the effectiveness of the system of internal control, for the period from 1 January 2013 to the date of this Report, and is satisfied that the Group complies with the Turnbull Guidance.

The Board will continue routinely to challenge management in order to ensure that the system of internal control is constantly improving and remains fit for purpose.

Summary Remuneration Report

DIRECTORS' REMUNERATION

The Remuneration Committee believes that our remuneration arrangements appropriately incentivise and reward strong performance and shareholder value creation whilst ensuring behaviours remain consistent with Centrica's principles and values.

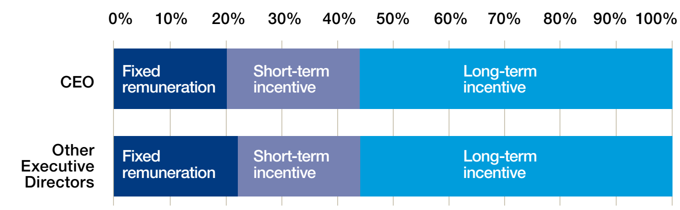
Remuneration principles

The Remuneration Policy aims to deliver a remuneration package:

- to attract and retain high calibre Executive Directors (Executives) in a challenging and competitive business environment;
- that delivers an appropriate balance between fixed and variable compensation for each Executive;
- that places a strong emphasis on performance, both short and long-term;
- strongly aligned to the achievement of strategic objectives and the delivery of sustainable value to shareholders; and
- that seeks to avoid creating excessive risks in the achievement of performance targets.

Reward framework and objectives

The core design of the total remuneration framework for Executives ensures that a substantial portion of the maximum opportunity is dependent upon performance as indicated below. Total remuneration comprises fixed pay and variable performance-related pay, which is further divided into short-term incentives (with a one-year performance period) and long-term incentives (with a three to four-year performance period).



In addition, Executives are subject to a minimum shareholding requirement, with holding periods of five years from grant or award date, to provide further alignment with the returns to our shareholders.

Key Performance Indicators (KPIs) have been selected that align with and allow progress towards our vision: to be the leading integrated energy company with customers at our core and also support our strategic priorities. In addition, our underlying principles of operating safely and with an engaged workforce are measured.

The KPIs, which are set out in detail on pages 16 and 17, underpin the selection of performance criteria used within the incentive arrangements as demonstrated in the table below. If overall performance is not deemed satisfactory, the award for any year may be reduced or forfeited, at the discretion of the Committee.

KPI	Performance measure	
Adjusted operating profit	EP – 1 year	EP – 3 year
EPS	EPS	
TSR	TSR	
Dividend per share	TSR	
Lost time injury frequency rate	Non-financial KPI dashboard	
Process safety	Non-financial KPI dashboard	
Customer trust	Non-financial KPI dashboard	
Employee engagement	Non-financial KPI dashboard	

Remuneration Policy

This year, shareholders will be asked to vote separately on Centrica's Remuneration Policy and Directors' Annual Remuneration Report. The Remuneration Policy is set out on pages 68 to 75 of the Annual Report and is available at centrica.com. The Remuneration Policy, if approved, will take effect from the date of the AGM on 12 May 2014.

Centrica's full Directors' Annual Remuneration Report including the implementation of the Remuneration Policy in 2013 is set out on pages 65 to 82 of the Annual Report and is available at centrica.com.

Remuneration in 2013

Total variable earnings opportunity in 2013 remained unchanged from the prior year. However, the prior year figures for actual remuneration received have been restated to ensure the presentation complies with the most recent legislation finalised during the year.

For 2013, the results achievement has fallen below the stretching targets set by the Committee for British Gas, Direct Energy, Centrica Storage and the Group as a whole. Centrica Energy exceeded its 2013 operating plan targets following a particularly strong performance in midstream and power generation.

Performance against long-term targets for the three-year period ending with 2013 failed to meet the minimum threshold and, therefore, none of the awards originally granted in 2011 will vest. Total shareholder return (TSR) performance exceeded the FTSE 100 Index throughout the majority of the performance period. However, proposals for future price controls and the potential for further political intervention had a material detrimental impact on the Group's share price in the final quarter of the year. The Committee considered the formulaic result in the context of the current climate and alignment with shareholder experience and decided not to exercise any discretion in favour of the impacted executives.

Strategic Overview on page 08
Key Performance Indicators on page 16

This table sets out information on the remuneration of the Directors for the financial year ended 31 December 2013.

Single figure for total remuneration

£000	**2013** **Salary/ fees**	2012 Salary/ fees	**2013** **Bonus (cash)**	2012 Bonus (cash)	**2013** **(v) Bonus (deferred)**	2012 (v) Bonus (deferred)	**2013** **(vi) Benefits**	2012 (vi) Benefits	**2013** **(vii) LTIPs**	2012 LTIPs	**2013** **(viii) Pension**	2012 (viii) Pension	**2013** **Total**	2012 (ix) Total restated
Executives														
Sam Laidlaw	**950**	950	**851**(x)	185	**–**	855	**55**	42	**–**	3,297	**379**	380	**2,235**(x)	5,709
Phil Bentley(i)	**318**	635	**238**	635	**–**	–	**22**	44	**–**	1,954	**48**	79	**626**	3,347
Mark Hanafin	**585**	575	**368**	23	**158**	431	**31**	34	**–**	1,713	**230**	230	**1,372**	3,006
Nick Luff	**610**	610	**333**	145	**–**	458	**29**	18	**–**	1,813	**246**	244	**1,218**	3,288
Chris Weston	**553**	510	**281**	224	**120**	383	**174**	408	**–**	1,614	**154**	77	**1,282**	3,216
													6,733	18,566
Non-Executives														
Sir Roger Carr	**490**	490	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**490**	490
Margherita Della Valle	**77**	65	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**77**	65
Mary Francis	**105**	105	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**105**	105
Rick Haythornthwaite(ii)	**14**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**14**	–
Lesley Knox	**85**	85	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**85**	85
Mike Linn(iii)	**38**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**38**	–
Andrew Mackenzie(iv)	**23**	65	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**23**	65
Ian Meakins	**65**	65	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**65**	65
Paul Rayner	**77**	88	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**77**	88
													974	963
Total													**7,707**	19,529

(i) Phil Bentley resigned as an Executive Director on 30 June 2013 and remained an employee of Centrica until 31 December 2013. During the period between 1 July and 31 December 2013, he received basic salary and benefits. The figures in this table include his emoluments for the period to 30 June 2013. The bonus was calculated in accordance with Group EP and British Gas EP performance and strategic priorities.
(ii) Rick Haythornthwaite was appointed as a Non-Executive Director on 14 October 2013 and as Chairman on 1 January 2014.
(iii) Mike Linn was appointed as a Non-Executive Director on 1 June 2013.
(iv) Andrew Mackenzie resigned as a Non-Executive Director on 10 May 2013.
(v) Each Executive apart from Phil Bentley, Sam Laidlaw and Nick Luff has deferred part of their AIS award on a gross basis and invested these funds into DMSS in accordance with the rules for minimum mandatory and voluntary maximum deferral.
(vi) Benefits include car and fuel, health and medical, financial planning advice, matching shares received under the Share Incentive Plan and the gain from any options exercised under the HMRC-approved Sharesave plan. Benefits for Chris Weston include expenses and benefits paid under the terms of his international assignment agreement including for his relocation from the US to the UK.
(vii) The long-term incentives include a forecast of the value of the LTIS and DMSS matching awards due to vest in April 2014, relating to the three-year performance period ending in 2013. The LTIS awards were valued using the latest TSR projection as at 1 February 2014, which was 0% and the projected EPS performance outcome of 0%. The DMSS awards were valued using the projected EP performance outcome of 0%.
(viii) The value of the increase in defined benefit pension accrual for Phil Bentley and Chris Weston has been calculated using the BIS methodology of 20 times the increase in accrued pension for the year (less an allowance for the contributions paid by the member and CPI inflation of 5.2% in 2012 and 2.2% in 2013). Notional contributions to the CUPS DC Scheme for Sam Laidlaw, Mark Hanafin and Nick Luff have been included in this table as if CUPS DC were a cash balance scheme.
(ix) The 2012 total remuneration figures have been recalculated and restated to comply with the new regulations. The share price on the date of release of the LTIS and DMSS matching conditional awards was 369.28p and the share price at the point of vesting of the LTIS and DMSS matching nil cost options was 372.04p (the 3 month average share price used to calculate the awards in the 2012 remuneration report was 328.6p). The value of dividend equivalents accrued up until the date of vesting have been calculated for the LTIS and DMSS matching nil cost options and the value of the pension salary sacrifice waiver into the CUPS DC plan has been added.
(x) Sam Laidlaw has elected to donate his entire 2013 bonus to charity.

Financial Calendar

23 April 2014
Ex-dividend date for 2013 final dividend

25 April 2014
Record date for 2013 final dividend

12 May 2014
AGM, Queen Elizabeth II Conference Centre, London SW1 (2.00 pm) and Q1 Interim Management Statement

14 May 2014
Last date for DRIP elections for the 2013 final dividend

11 June 2014
Payment date for 2013 final dividend

16 June 2014
DRIP statements dispatched to shareholders for the 2013 final dividend DRIP purchase

31 July 2014
2014 Half Year Results

24 September 2014*
Ex-dividend date for 2014 interim dividend

26 September 2014*
Record date for 2014 interim dividend

15 October 2014*
Last date for DRIP elections for the 2014 interim dividend

12 November 2014*
Payment date for 2014 interim dividend

17 November 2014*
DRIP statements dispatched to shareholders for the 2014 interim dividend DRIP purchase

20 November 2014*
Q3 Interim Management Statement

February 2015
Preliminary Results announcement for 2014

APR 2014 | MAY 2014 | JUN 2014 | JUL 2014 | AUG 2014 | SEP 2014 | OCT 2014 | NOV 2014 | DEC 2014 | JAN 2015 | FEB 2015

*Provisional dates

Shareholder Information

MANAGING YOUR SHARES

Please contact our Registrar, Equiniti, to manage your shareholding. Information is also available through the Shareholder Centre on our website, including frequently asked questions and forms available to download to help you to:

- transfer your shares;
- change your registered name or address;
- register a lost share certificate and obtain a replacement;
- consolidate your share certificates;
- manage your dividend payments;
- buy, sell or transfer shares through Centrica FlexiShare;
- notify the death of a shareholder; and
- register for electronic communications.

You can also manage your shareholding online by registering for Shareview via the electronic communications section of the Shareholder Centre.

When contacting Equiniti or registering online, you should have your shareholder reference number at hand. This can be found on your share certificate or dividend tax voucher.

If you hold less than 2,500 shares, you will be able to change your registered address or set up a dividend mandate instruction over the phone. For security, if you hold more than 2,500 shares, you will need to put this in writing.

Please note, if you receive more than one copy of documents that we send you, it is likely that you have more than one account on the share register, perhaps with a slightly different name or address. If you write to Equiniti and give them the shareholder reference numbers, they will be able to combine your accounts into one. This helps us to reduce our environmental impact and save paper.

ProSearch

We work with a specialist tracing agency, ProSearch, to identify shareholders whose details are not up to date and who have outstanding cash entitlements. Please notify Equiniti when you move house to ensure you continue to receive all our communications.

Centrica FlexiShare

FlexiShare is an easy way to hold Centrica shares without a share certificate. Your shares are held by a nominee company, Equiniti Corporate Nominees Limited, however you are able to attend and vote at general meetings as if the shares were held in your own name. Holding your shares in this way is free and comes with a number of benefits:

- low cost share dealing rates, full details of which are available on the Shareholder Centre together with dealing charges;
- quicker settlement periods for buying and selling shares; and
- the opportunity to join the Dividend Reinvestment Plan.

Dividends

Dividends on Centrica shares are usually paid in June and November. Details of the dividends for the year ended 31 December 2013 can be found on page 54.

You are encouraged to have your dividends paid directly to your bank or building society account. This means that you will receive the money on the day it is paid which avoids any risk of missing cheques. If you do choose to receive your dividends in this way, a consolidated tax voucher will be sent to you in March each year.

If you do not have a UK bank or building society account, Equiniti are able to pay dividends in local currencies in over 30 countries. For a small fee, you could have your dividends converted from sterling and paid into your designated bank account, usually within five days of the dividend being paid.

Buying and selling shares with a share certificate

If you wish to buy or sell Centrica shares and hold a share certificate, you can do this:

- by using the services of a stockbroker or high street bank; or
- through telephone or online services.

In order to sell your shares in this way, you will need to present your share certificate at the time of sale.

SHAREHOLDER COMMUNICATION

Changes in legislation have meant it is now possible for us to communicate to a greater extent with shareholders using our website. We strongly encourage our shareholders to receive communications electronically as it allows us to make considerable savings, both environmentally and financially, and allows you to:

- view the Annual Report and Annual Review on the day they are published;
- receive an email alert when shareholder communications are available;
- cast your AGM vote; and
- manage your shareholding quickly and securely.

Together with Equiniti, we introduced an electronic queries service to enable our shareholders to manage their investment 24/7. Details of this service can be found at shareview.co.uk.

A wealth of other information is available on our website, including:

- regular updates about our business;
- comprehensive share price information;
- financial results; and
- dividend payment dates and amounts.

CONTACT EQUINITI

Contact details for our registrar

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom

Telephone: 0871 384 2985* and outside the UK +44 121 415 7061

Textphone: 0871 384 2255* and outside the UK +44 121 415 7028

Online: help.shareview.co.uk

* Calls to this number cost 8 pence per minute plus network extras. Lines are open from 8.30 am to 5.30 pm, Monday to Friday, UK time.

SHARE REPURCHASE PROGRAMME

On 18 December 2013, the Company announced a £420 million expansion to its share repurchase programme, which will be conducted over the course of 2014. Further information is available in the Annual Report and Accounts 2013 and from the Shareholder Centre on our website.

BEWARE OF SHARE FRAUDSTERS

Shareholders are cautioned to be very wary of any unsolicited advice, offers to buy shares at a discount, sell your shares at a premium or offers of free company reports.

Centrica is aware that some of its shareholders have recently received unsolicited phone calls or letters from individuals or companies offering to buy or sell Centrica shares on very favourable terms. These communications imply a connection with Centrica and are often from overseas based 'brokers' who are very persuasive and extremely persistent, with professional websites to support their activities.

The Financial Conduct Authority (FCA) reports that such scams cost investors in excess of £200 million each year.

If you do receive such an approach, you are encouraged to take the following steps:

- obtain the full name of the person and organisation and make a record of any other information they give you, for example telephone number, address, web address;
- if the caller persists, simply hang up; and
- report the matter to the FCA so that they can investigate.

You are able to do this online at fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams/reporting-form or by calling them on 0800 111 6768.

You are advised to deal only with financial services firms that are authorised by the FCA. Check the firm is properly authorised by the FCA before getting involved by visiting fca.org.uk/register. If you do deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if anything goes wrong.

Details of any share dealing services that Centrica endorses are available on our website and are included in Company mailings.

MANAGE MORE ONLINE
You can view and manage your shareholding online. Go to the electronic communications section of the Shareholder Centre on our website at centrica.com/shareholdercentre

Accessibility

If you would like this Annual Review in an alternative format, such as large print, Braille or CD, you can request these in the following ways:

Telephone: 0800 111 4371 Textphone: 18001 0800 111 4371

Please note that these numbers should be used to request copies of alternative formats only. For general shareholder enquiries, please use the Centrica shareholder helpline 0871 384 2985*.

* Calls to this number cost 8 pence per minute plus network extras. Lines are open from 8.30 am to 5.30 pm, Monday to Friday, UK time.

Disclaimer

RECYCLED
Paper made from recycled material
FSC® C016486

This report is printed on Amadeus 100% Recycled Silk, supplied by Denmaur Independent Papers Limited.
Amadeus 100% Recycled Silk is a white paper, with a superior triple coated surface, made from 100% pre and post consumer waste.
All of the fibres used in the production of this paper have been certified by an independent auditing body according to the rules laid down by the Forest Stewardship Council® (FSC®).

Printed by CPI Colour Limited ISO14001, FSC® certified and CarbonNeutral®.

Designed and produced by
CONRAN DESIGN GROUP

CENTRICA PLC
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Company registered in
England and Wales
No. 3033654

centrica.com